

Age-related Personal Tax Allowances Briefing September 2013

What's the issue?

The Government is phasing out the age-related personal tax allowance for pensioners and has stopped new over-65s from having access to age-related tax allowances. This will cut incomes for pensioners with modest occupational pensions. Send the accompanying letter to your MP to tell them about the impact.

Why is the Government doing this?

The reason given in the 2012 Budget was that a single tax allowance would simplify the tax system and stop so many pensioners having to fill out tax returns. The real reason is that it will save money - £360m in 2013-14, rising to £1.25bn a year by 2016-17.

What exactly is happening?

From April 2013 existing age-related allowances will be frozen at their 2012-13 levels (£10,500 for those born between 6 April 1938 and 5 April 1948, and £10,660 for those born before 6 April 1938) until the personal allowance for the under-65s catches up. The personal allowance for the under-65s will be £9,205 in 2013-14. Age-related allowances will no longer be available to people who turn 65 on or after 6 April 2013.

Government policy over the past few years has narrowed the gap between the basic tax allowance and the age-related allowances available to older people.

Table: Personal allowances 2011-2012 to 2013-2014

	Under 65	65-74	75 or over
2011-2012	£7,475	£9,940	£10,090
2012-2013	£8,105	£10,500	£10,660
	Born after 5 April 1948	Born between 6 April 1938 and 5 April 1948	Born before 6 April 1938
2013-2014	£9,440	£10,550	£10,660

Why should age-related allowances be kept?

The age-related tax allowance does not exist to feather-bed pensioners. It is a recognition that as they get older, pensioners have to buy in services in areas such as home maintenance, the cost of which will tend to rise in line with wages. Age-related allowances have been part of the UK tax system since their introduction by Winston Churchill in 1925.

What is the impact on pensioners?

Most private pensions are linked to inflation. If tax allowances are frozen then pensioners' income will be cut in real terms as more of their income will be subject to tax.

What about high-earning pensioners?

High-earners don't get the age-related personal allowance. Age-related allowances reduce where the income is above an income limit (£25,400 in 2013-2014) by £1 for every £2 of income above the limit. This applies until the level of the personal allowance for those born after 5 April 1948 is reached.

What do we want?

The PSPC wants age-related personal allowances to be kept – and for the differential to be restored to at least that which existed in 2011-2012.