



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Sir George Howarth MP
House of Commons
London
SW1A 0AA

27 February 2024

Dear Sir George,

Thank you for your email of 8 February to the Chancellor of the Exchequer enclosing correspondence from a number of your constituents about the Personal Allowance (PA) for pensioners. I am replying as the Minister responsible for the UK tax system.

The Government is committed to ensuring that older people are able to live with the dignity and respect they deserve, and the State Pension is the foundation of state support for older people.

The full rate of the New State Pension in 2023-24 is now over £10,000 per year for the very first time, while the Basic State Pension is over £3,050 a year higher in 2023-24 than in 2010.

The Triple Lock, which uprates the State Pension by the highest of average earnings growth, price inflation or 2.5 per cent, was introduced in 2011. In April 2023, the Government has increased the State Pension by 10.1 per cent, in line with inflation and the highest element of the Triple Lock. This delivered the biggest ever cash increase in the State Pension.

At Autumn Statement 2023, the Chancellor announced one of the largest ever cash increases in the State Pension, honouring the Government's Triple Lock in full by uprating by 8.5 per cent from April 2024. The tax treatment of social security benefits is based on the type of payment and why it is provided. In general, benefits that are designed to replace income are taxable, including the State Pension.

However, it is important to note that the PA - the amount of income that each individual may receive before paying income tax - is currently set at a level high enough to ensure that those pensioners whose sole income is the new State Pension or basic State Pension do not pay any income tax.

Your constituents share their concerns about the PA being maintained at its current level of £12,570.

The Government has nearly doubled the PA since 2010 meaning around 30 per cent of individuals do not pay any tax.

Due to the significant real term increases to the PA, it is estimated there will be over 3 million people taken out of tax by 2023-24, compared to the threshold rising in line with inflation from 2010-11.

The PA is also high by international standards - it is one of the more generous personal tax allowances in the Organisation for Economic Co-operation and Development and the most generous in the G7.

If the PA was increased to £15,000 as suggested, taxpayers earning below the current PA would not benefit from this change as they do not pay income tax.

The Government made the difficult but necessary decision to maintain income tax thresholds at current levels to ensure the tax system supports strong public finances. Maintaining these thresholds is universal, progressive and fair. The highest earners will contribute more of the revenue.

As with all aspects of the tax system, the Government will keep the PA under review and any decisions on future changes will be taken by the Chancellor in the context of the wider public finances.

Please pass on my thanks to your constituents for making me aware of their concerns.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Nigel Huddleston'.

Nigel Huddleston MP
FINANCIAL SECRETARY TO THE TREASURY