

Next year we will tax state old age pensions rather tha...

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As a number [of newspapers](#) report this morning, there is a very real risk that millions of pensioners will have to complete self assessment tax returns next year to pay the tax owing on their basic state old-age pensions.

This unprecedented situation has arisen for four reasons.

The first is that in 2021 Rishi Sunak announced that the basic personal allowance (as well as many other tax allowances) would be frozen until 2027.

Then, secondly, inflation happened at rates of more than 10 per cent per annum.

Third, because of the pension triple lock state pensioners are seeing their pensions increase in line with inflation.

And, fourth, HMRC does not (as far as I know) have the means to operate PAYE on state pensions simply because it has never needed it; there has always been sufficient personal allowance to cover the sum owing assuming that the state pension is the first part of income.

As a result, pensioners will not only have a tax bill, they will have to put money aside to pay it, and will have to complete a self assessment tax return, with all the associated risk of serious penalties attached to that process.

The issue is serious, but only indicative of the problem many millions more face as tax bills escalate due to Sunak's policy. Frozen tax allowances impact everyone, but will hit those on lowest income hardest. The IFS think they will result in £50 billion of extra tax paid. That is half the sum I have identified in the Taxing Wealth Report, so far. The difference is that most of this will be paid by those in lower pay.

What this means is that whilst tax should be increasing on the wealthy what we are actually getting is tax increases on those already hardest hit by the cost of living crisis. And the Tories do not care.

But nor, apparently, do Labour. I have heard nothing at all from them on this.

Meanwhile, inequality grows, despair increases, and the penal nature of the self assessment tax system (penal because its penalties are automatic, heavy, and in many cases unjustifiable) will be applied to many more people.

There is a choice available. We could tax the wealthy more. But it is never mentioned. Instead, we are going to tax the lowest paid and pensioners more instead. The one and only question to ask is, why?