

# Two million more pensioners forced to pay income tax

A rising state pension and frozen thresholds mean that 8.5 million now pay income tax, including an increase of 660,000 in the past year

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Most pensioners are now paying income tax, with an additional two million forced to pay it over the past three years, official figures show.

There are now 8.5 million people over pension age paying income tax, as a rising state pension and frozen tax thresholds mean even small amounts of private pension and other income will now see older people taxed.

Rishi Sunak has promised in his pitch to older voters that the state pension will never be taxed, but the latest data released by HM Revenue & Customs shows how a freeze introduced while he was chancellor means an ever higher number are paying tax on their other income.

A record 29.5 million people are paying the basic rate of income tax, an increase of 3 million from 2021, when Sunak first froze at £12,570 the income threshold at which it is paid. That level had previously risen with inflation.

There are also 6.3 million people paying the 40p higher rate, up from 4 million when its threshold was frozen at £50,270, while the number paying the 45p rate has topped a million for the first time.

There are now 1.1 million paying the top rate, double the number in 2022, when Jeremy Hunt, the chancellor, lowered the threshold to £125,140 in the wake of Liz Truss's disastrous mini-budget.

This so-called fiscal drag has amounted to one of the largest tax rises in history, bringing in an extra £40 billion a year, and has become central to efforts to balance the books in the wake of the pandemic and the war in Ukraine.

However, it is also complicating Sunak's promise that once the new state pension, which is currently £11,502 a year, rises beyond £12,570, those over the age of 66 will see their tax-free thresholds rise to keep pace.

In his debate with Sir Keir Starmer on Wednesday night, the prime minister warned that under Labour, "every pensioner is going to face a retirement tax for the first time in history".

However, 2.5 million pensioners are already paying tax on old-style contributory state pensions, and the latest figures show a big rise in the number paying income tax as a result of other earnings.

The number of pensioners paying income tax rose from 3.5 million in the mid-1990s to 6.9 million in 2016, before rising state pension ages saw a fall to 6.2 million in 2020.

Since the state pension age rose to 66, the number paying income tax has risen steadily to 8.5 million, including an increase of 660,000 in the past year alone. About 12 million people in Britain receive a state pension.

The former pensions minister Sir Steve Webb, now a partner at the consultancy LCP, said the figures "show that a combination of frozen tax thresholds and significant increases in the state pension means the number of pensioners paying tax has continued to soar.

"But this is a continuation of a long-term trend which has seen the number of over-65s paying tax rise by around 4 million since 2010-11. For a pensioner in Britain, being an income-tax payer is now the norm rather than the exception."

Sarah Olney, the Liberal Democrat Treasury spokeswoman, said that “millions are being hammered by Rishi Sunak’s retirement tax. The Conservative Party have forced the elderly and hardworking families to pick up the tab for their disastrous management of the economy.”

A Conservative spokesman pointed out that the state pension had risen £3,700 since 2010 as a result of the triple lock, adding: “There is a clear choice for pensioners at this election. The Conservatives will cut their taxes next year. Under Labour, the [new] state pension will be dragged into income tax for the first time in our country’s history.”