

Summary:

Treasury Committee's Inquiry into Budget Measures and Low-income Households

May 2008

Age Concern welcomes the opportunity to give evidence to the Committee's inquiry into Budget Measures and Low Income Households. This response mainly focuses on the impact for people aged 60 and over.

Key points and recommendations

The impact of the tax changes

- Age Concern welcomes the protection given to people aged 65 and over through increases in personal allowances and we are particular pleased that 580,000 older people have been taken out of the tax system altogether.
- We are concerned that many people on low incomes under the age of 65 have lost out due to abolition of the 10 pence rate.
- Some of those affected may also owe tax for 2007-08 and will have an increased liability for future years due to an HMRC error in taxing some small pensions.
- Problems due to the interaction between income tax and state benefits may be exacerbated due to the increased tax liability.
- A small number of pensioners will have to pay double the tax previously due on a lump sum payment gained from deferring their state pension.
- The 10 pence rate remains for savings so it will be important to ensure those who receive savings income net apply for any rebate due.

Measures to address concerns

- Compensation should be through the tax systems – increasing personal allowances is the fairest and most effective way to do this.
- For those aged 60 to 64 ideally we would like to see personal allowances increased to the level for people aged 65 and over although a more modest option would be to raise allowances to the level of the pension credit guarantee.
- Age Concern does not support using the winter fuel payment as a mechanism for compensating those aged 60 to 64.

Other budget measures – fuel poverty

- The Budget announcements on winter fuel payments and the role of energy companies, while welcome are an inadequate response to fuel poverty. There should be a co-ordinated cross government strategy to address fuel poverty through measures relating to energy efficiency, fuel prices and incomes.

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