THE PENSION CREDIT:

a consultation paper

Presented to Parliament by
the Secretary of State for
Social Security by
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Introduction

From the Secretary of State for Social Security

This consultation paper sets out how, building on the long term reforms the Government has already made, we are making sure that everyone has a decent and secure income in retirement.

For the first time, we are starting to bring together the tax and benefit system for pensioners. Our objective is to ensure that all pensioners share in the rising prosperity of this country, with more help for those on low and modest incomes than ever before.

Over the past 20 years, the inequality in pensioner incomes has grown dramatically. Under the last Government, the gap between rich and poor pensioners grew to be the largest for about 30 years. Today many pensioners are retiring on good incomes, with single pensioners now receiving an average of £141 a week. But in this - the fourth largest economy in the world - far too many pensioners were living in poverty in 1997.

That's why we were right, as a first priority, to introduce the Minimum Income Guarantee, which has helped around two million of the poorest pensioners. Over this Parliament we are also helping all pensioners, by building on the basic state pension as the essential foundation for a secure retirement. As we move towards the introduction of the Pension Credit, we plan to increase the basic state pension in real terms - not just this year, but the year after that. And we are delivering extra money where it is needed, like the Winter Fuel Payments for all pensioner households and free TV licences for those aged 75 and over.

We also recognise that there are increasing numbers of pensioners on good occupational pensions, who come within the scope of the tax system. We want to ensure they get a fairer deal. That is why, for example, we halved the starting rate of tax on savings income. We're now making further proposals to reduce the tax burden on pensioners.

But the next step in our reforms is to remove the penalties for saving, and instead make sure that we reward saving. We inherited a benefit system that penalises those who have modest occupational pensions or savings and who find that their thrift denies them help that others receive.

Every week, I meet people who've done everything that successive governments have asked them to. They've worked hard all their lives, they've put a bit of money in a savings account, they've got a small occupational pension - and they feel their effort has been wasted. Under the current rules they get no extra help. That is the system we inherited, where saving is penalised, instead of being rewarded. That is what we are determined to change.

This next stage of our pension reforms marks a further step in our progress towards integrating the tax and benefit system. For working age people, we have already introduced the Working Families' Tax Credit and the Disabled Person's Tax Credit. And in Budget 2000, the Chancellor indicated that we would apply similar principles to support for pensioners - by introducing a new Pension Credit
from 2003.

In this paper, we are seeking views on how the new Pension Credit will work. Our proposals will:

- simplify and raise the Minimum Income Guarantee (MIG) to £92.15 a week (for single pensioners) from April 2001, rising in line with earnings to over £100 a week by 2003;
- replace the pound for pound withdrawal in the MIG with a system that ensures people always benefit from their savings;
- abolish the arbitrary capital limits and replace them with an income test, more in line with the income tax system; and
- move away from the discredited weekly means-test to a system where awards are fixed over much longer time periods.

As part of this next stage of reforms, we will make it easier for pensioners to claim their entitlements, by introducing a dedicated new service for pensioners. And in 2003, we propose to reduce further the income tax burden on pensioners, by raising in real terms the personal tax allowances available to those aged 65 or over. Together these changes will enable us to make further progress towards tax and benefit integration.

The proposals set out in this document show how we will help all pensioners, and at the same time continue the drive to end pensioner poverty. The new Pension Credit will, for the first time, ensure that we reward the thrift of millions of people who worked hard all their lives and who are now living on low or modest incomes in retirement.

Our proposals are designed to build on the reforms we've already made and to deal with the problems we inherited. They give more help to all pensioners, whilst giving most help to the poorest. An across the board earnings link for the basic state pension wouldn't help the poorest pensioners and it would ignore the huge gap between better off and poor pensioners. Nor would it tackle the injustice of the system we inherited, which penalises thrift.

As a result of our policies during this Parliament, pensioners will gain far more than they would have done with a restored earnings link. Indeed by next year, the poorest third of pensioners will have gained five times more than they would have done with an earnings link.

The reforms in this consultation paper build on the basic state pension. They tackle poverty and reward thrift. Above all, they will ensure that all pensioners share in our rising prosperity.

The Rt Hon Alistair Darling
Secretary of State for Social Security
November 2000

Summary

1 The Government is committed to ensuring that all pensioners share in the rising prosperity of the country. To achieve this, the Government is developing policies which recognise that, in Britain today, pensioner incomes are as divergent as those of the population as a whole. The gap between rich and poor pensioners has grown dramatically over the last 20 years. This brings three clear challenges for the Government, to:

- get extra help quickly, over and above the basic state pension, to those in poverty - their needs have rightly been the Government's first priority;
- help those with modest occupational pensions and capital who feel their savings deny them help which others receive; and
- ensure that those on higher incomes are treated fairly in the tax system.

2 To meet these challenges, the Government will:

- continue to reform the tax and benefit system to the advantage of all pensioners;
- carry on giving most help to those in most need; and, crucially,
- introduce new measures to ensure that pensioners with low and modest occupational pensions or savings are no longer penalised but instead are rewarded for their saving by the tax and benefit system.

3 Over the last 20 years, the average incomes of the richest fifth of pensioners have risen by around 80 per cent, but those of the poorest fifth grew by only 30 per cent - less than half as fast. The Government has been determined to tackle this rising inequality. That is why it introduced the Minimum Income Guarantee (MIG) which gave an immediate boost in support to poorer pensioners. The MIG is linked to the growth in earnings to enable the poorest pensioners to share in growing prosperity. It is also why the Government is reforming the State Earnings-Related Pension Scheme (SERPS) through the State Second Pension and introducing stakeholder pensions - to help ensure that future pensioners are protected against poverty, and to tackle the inequality that the Government inherited.

4 And better-off pensioners, who are enjoying hard-earned income from good occupational pensions or other savings, are benefiting from the changes the Government is making to the tax system. It has already halved the starting rate of tax on savings income from April 1999, and introduced a Minimum Tax Guarantee, which this year means that pensioners aged 65 or over do not have to pay tax until their income reaches at least £111 a week. Tax-paying pensioners can also benefit from the reduction in the basic rate to 22p from this April.

5 In addition, to help all pensioner households, the Government introduced a £20 Winter Fuel Payment in 1997, and increased this to £100 last Winter. Budget 2000 set this payment at £150 for future years, and the Pre-Budget Report announced a further £50 increase for this year only. So 8 million households - 11.5 million pensioners - will be eligible for £200 this Winter, worth around £4 a week. And from this Autumn, all households including someone aged 75 or over will be able to get their TV licence free, saving them £2 a week.

The need for further reform

6 The poorest pensioners have seen least growth in their incomes over the last 20 years, but pensioners on low and modest incomes have also been falling further behind wealthier pensioners. The next stage is for the Government to help this group. Too many pensioners work hard to provide for their retirement, building up savings or second pensions, but then find that they are little better off as a result. The current system has been successful in getting more help more quickly to those in greatest need. But it has a number of flaws:

- it sets a savings trap, penalising those getting the MIG by removing a pound of benefit for every pound of second pension they have built up;
- those just above the MIG level feel let down because they have gained little from having saved - a pensioner with £20 a week of occupational pension on top of the basic state pension can find herself just a pound or two better off than someone who saved nothing;
- it excludes pensioners from extra support, through inappropriate capital limits, simply because over their working lives they have built up a small amount of savings; and
- it involves an intrusive weekly means-test, which contrasts with the less burdensome annual requirements for pensioners in the tax system.

7 In Budget 2000, the Government took the first major step to improve the situation by increasing the MIG capital limits for the first time in 10 years. These new rules will be introduced in April 2001 and, as a result, half a million people will gain an average of £5 a week extra, with many finding themselves entitled to extra support for the first time.

The Pension Credit: rewards for saving and tax reforms for older taxpayers

8 But now the Government will go further still. The proposed Pension Credit will not only end the penalty on savings: it will, for the first time, reward savings. It will:

- simplify and increase the MIG payments from next year, leading to a guaranteed minimum income of over £100 a week in 2003 for a single pensioner, in order to take action to end pensioner poverty;
- reward work and savings in retirement, by abolishing the capital limits and introducing a cash reward for modest savings, earnings or second-tier pensions; and
- modernise the system, by abolishing the weekly means-test, and moving more into line with the tax system which is based on an annual cycle, thus paving the way for further tax and benefit integration in the future.

9 These reforms mark a further stage in the Government's programme of integrating tax and benefits, drawing on the experience of introducing tax credits for working families. The programme of tax-benefit integration is based on the following principles:

- tackling poverty;
- promoting incentives to work and save;
- maximising take up;
- targeting support on those who need it most; and
- improving customer service and increasing efficiency.

10 As set out in this paper, the Pension Credit and associated changes build on these principles, and deliver radical reform designed to improve support for pensioners.

11 Based on current assumptions about future growth in prices and earnings, and taking account of the further changes the Government plans to make, when introduced from 2003 the Credit will:

- reward pensioners whose savings, second pensions or earnings give them incomes of up to around £135 a week for single pensioners and £200 a week for couples;
- mean that no single pensioner need live on less than £100 a week - £154 a week for couples; and
- thereby entitle half of all pensioner households, and 5.5 million individual pensioners, to more support.

12 The guaranteed minimum income level will be linked to earnings. This means that low and modest income pensioners on the Pension Credit will see their first-tier state support - the total income they get from the basic state pension and the Pension Credit - rise year on year at least as quickly as the growth in the incomes of the general population. They will get more than if their basic state pension was increased in line with earnings.

13 So, as an illustration and based on trend forecasts, a pensioner with a basic state pension of £77 a week, an occupational pension of £17.50 a week, and £20 a week of Pension Credit in 2003, will get £4.30 a week more in state support the following year. If her basic state pension had been increased by earnings she would have received just £3.30 a week more. This feature of the Credit will directly help pensioners on low and modest incomes who have been unable to build up substantial second pension or savings income for their retirement, and are most at risk of persistent poverty. It will also help those who retired with more substantial retirement funds, but who see the value of those funds fall too far behind the country's rising prosperity over time.

14 Alongside the Pension Credit, which will not be taxed, the Government will deliver reforms for older taxpayers.

15 At the same time as the Credit is delivering gains year on year to low and modest income pensioners, the Government

intends to provide further help to those pensioners on higher incomes.

16 At the moment most pensioners have no income tax to pay. But, for those who do, in 2003-04 the Government proposes, subject to consultation, to raise the age-related personal allowances by £240 over and above indexation. On current forecasts, this will take the allowances to £6,560 a year for those aged 65 to 74 and to £6,850 for those aged 75 or over. And throughout the remainder of the next Parliament the Government proposes to increase the allowance by reference to the rise in earnings rather than the rise in prices.

17 In the same way that a single pensioner on an income of £130 a week will be entitled to a Credit of around £2 a week extra, so a pensioner paying tax at 22 per cent on income of £170 a week would get £1 a week extra in 2003-04 through the more generous tax allowances. Over 3 million pensioners aged 65 or over would benefit from this.

Moving towards the Pension Credit

18 The new Pension Credit will deliver substantial gains to all pensioners on low and modest incomes from 2003. But the Government is determined to get extra support to pensioners ahead of this. This is why the Government will start to introduce transitional arrangements immediately. It will:

- **increase the Winter Fuel Payment, which is set at £150 for future years, by a further £50 for this year only.** So this Winter, 8 million pensioner households will be eligible for £200 - almost £4 a week - double the amount of last year's payment;

- **increase the basic state pension by £5 to £72.50 a week in April 2001 and, as part of the normal uprating review, by a further £3 to £75.50 a week in April 2002. For couples the rates will be £115.90 a week in 2001-02 and £120.70 a week in 2002-03.** This means that next year single pensioners will get £2.35 more a week, and couples £3.80 more, than they would have received from an earnings uprating next year; and

- **increase the lower rates of the MIG to equal its highest rate, raise the MIG by earnings and further increase it by the real increase in the basic state pension. This ensures that all pensioners will gain fully from the increase in the basic state pension.** From April 2001, the new MIG will be £92.15 a week for all single pensioners - a real increase of £12.45 a week for the poorest pensioners. The new MIG for couples will be £140.55 a week - a real increase of £16.65 for the poorest couples.

Impact of radical reform

19 The Government's policies have already ensured that pensioners on the lowest incomes are receiving far more than they would have received from linking the basic state pension to earnings from 1997. These further reforms will ensure that virtually all pensioners are receiving more by the end of this Parliament than they would have got from the earnings link. The Government's tax and benefit reforms will mean that next year the average pensioner household will be £580 a year better off in real terms than they were in 1997 - over £11 a week.

20 And the proposals for the new Pension Credit will allow the Government to do even more for those on low and modest incomes in the next Parliament. It will give these pensioners more year-on-year than an earnings link in the basic state pension, and it will ensure that they share in the rising prosperity of the country.

21 These changes will enable the Government to move towards its goal of further integrating the tax and benefit system.

22

This paper sets out what the Government has done so far for pensioners and what it plans to do in the future.

- Chapter 1 shows how pensioner incomes have changed over the last 20 years, and in particular how the incomes of poorer pensioners have been falling behind richer pensioners' incomes.
- Chapter 2 describes what the Government will have achieved over the course of this Parliament.
- Chapter 3 sets out the longer-term pension reforms that the Government is introducing to ensure that tomorrow's pensioners can enjoy the financial security denied to so many of today's pensioners.
- Chapter 4 sets out the Government's plans for a Pension Credit to tackle pensioner poverty and to ensure that those with low and modest incomes will be able to share in the country's rising prosperity.

- Chapter 5 describes related tax changes that will bring gains to older taxpayers on higher incomes at the same time that the Pension Credit helps pensioners on low and modest incomes.
- The Conclusion draws these elements together.

23 **The Government would welcome views on its proposals for a new Pension Credit. The consultation arrangements are set out on page 28.**

Chapter One

Growing inequality - the position of today's pensioners

1 In recent years, average pensioner incomes have been improving relative to the rest of society. But many pensioners have missed out - inequality amongst pensioners has risen markedly. Too many of today's pensioners were denied the opportunity to build a worthwhile second pension ahead of their retirement, or did not have the opportunity to build personal wealth.

2 Charts 1 and 2 show how over the last 20 years the wealthiest pensioners have fared much better than the rest, and the poorest pensioners have fared worst of all:

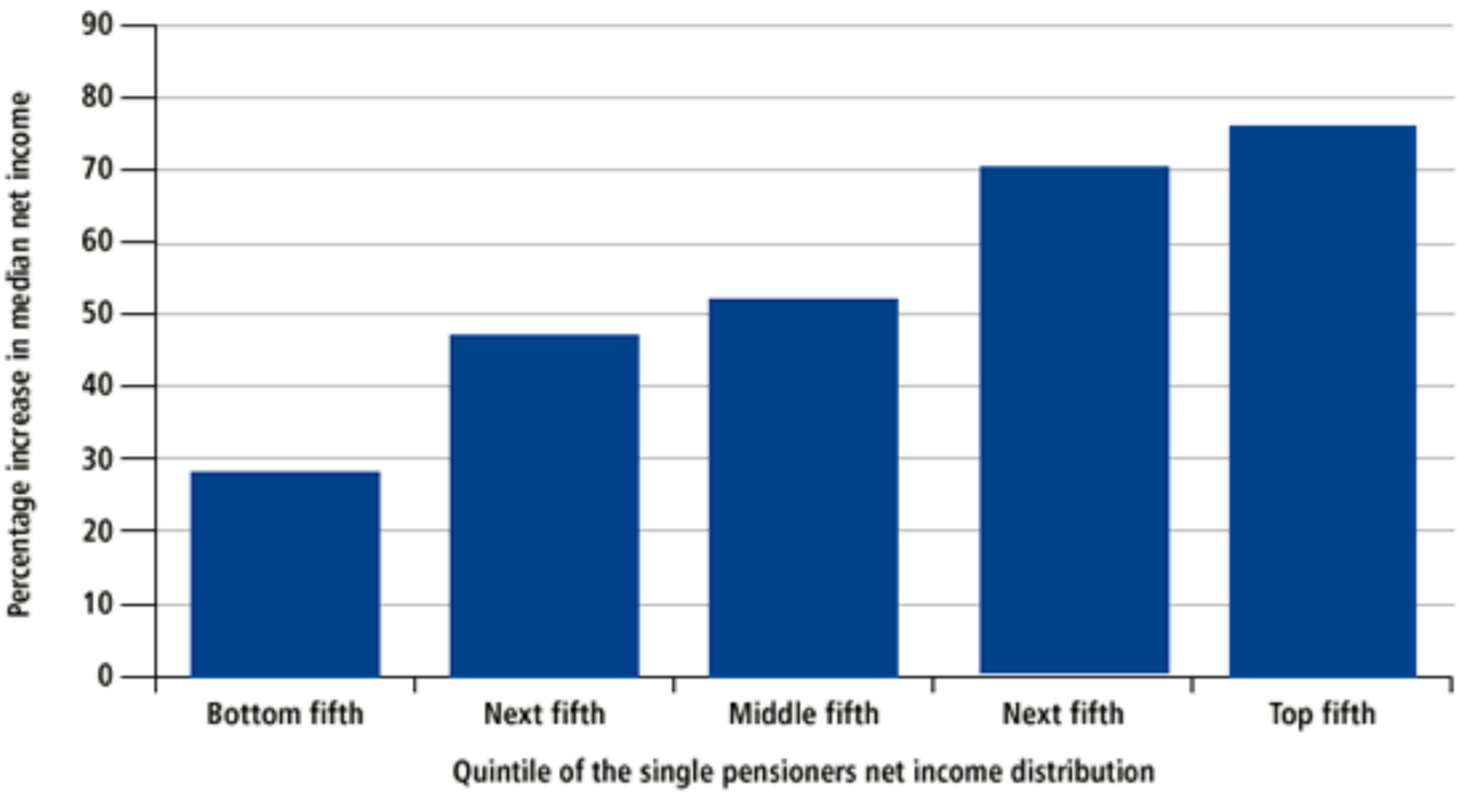
- between 1979 and 1996/97, the incomes of the richest fifth of pensioners rose by around 80 per cent; but
- over the same period the incomes of the poorest fifth grew by only 30 per cent. That's less than the growth in earnings - the poorest pensioners were not sharing fairly in the rising prosperity of the nation.

3 The pattern of pensioner incomes now reflects that of people in work. Like earners, the top fifth of pensioners are three times better off than the lowest fifth.

4 And it isn't just the poorest whose incomes have failed to keep pace. The incomes of pensioners on modest incomes also grew much less quickly than the incomes of wealthier pensioners.

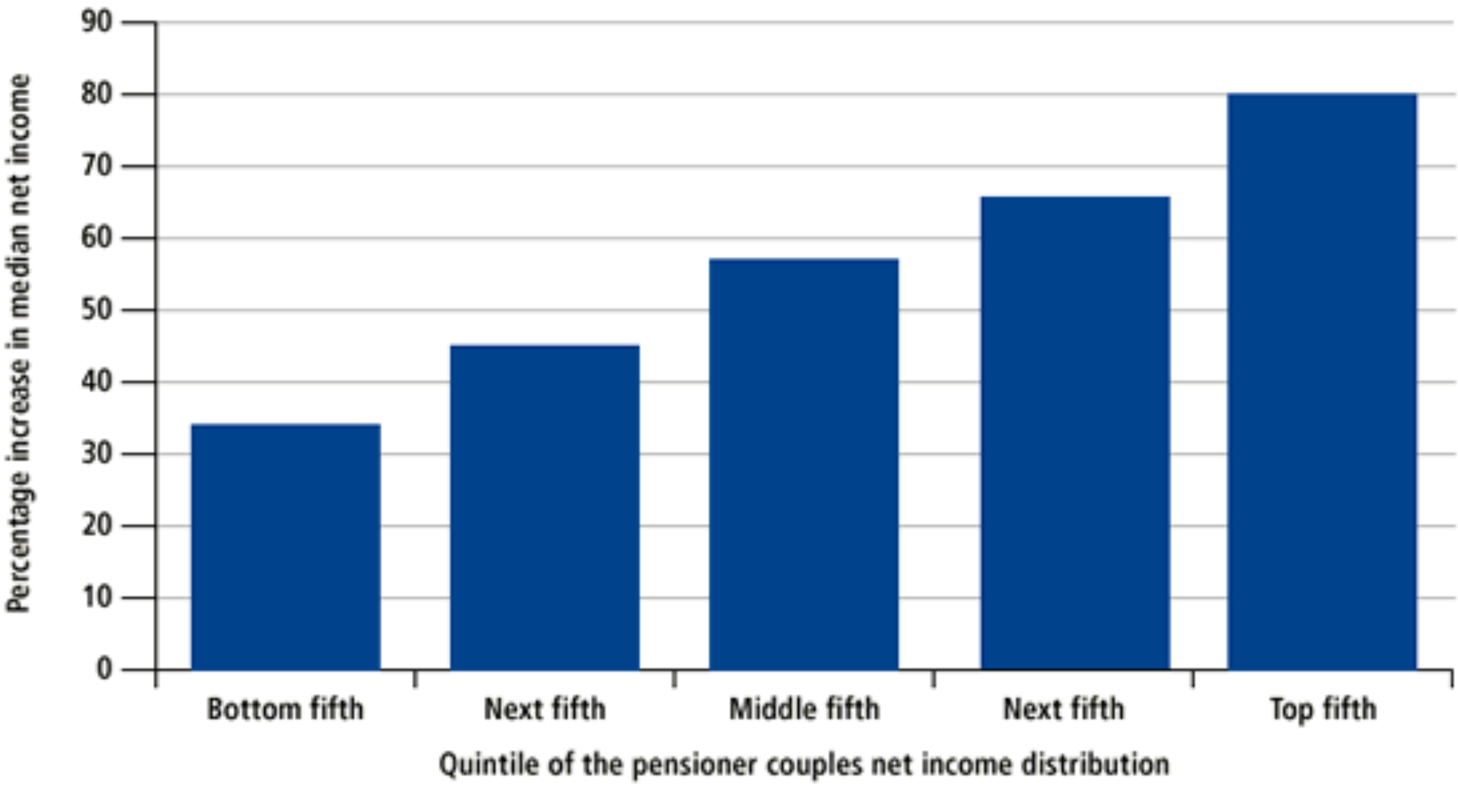
5 This rising inequality amongst pensioners, and the poverty that many pensioners face, has been the Government's prime concern in developing its pensions policy.
It needed to act to prevent pensioner inequality from increasing still further.

Chart 1: Real growth in median net income of single pensioners, by quintile, 1979–1996/97



Source: DSS Pensioners' Incomes Series 1998/99

Chart 2: Real growth in median net income of pensioner couples, by quintile, 1979–1996/97



Source: *DSS Pensioners' Incomes Series 1998/99*

6 In response, and as outlined in Chapter 2, the Government quickly took steps to combat poverty amongst today's pensioners. It also set about reforming the system for the longer term to combat poverty and inequality amongst tomorrow's pensioners (Chapter 3), providing better pension options for workers on low and moderate incomes, for the self-employed and for those whose careers are interrupted because of caring responsibilities or through disability.

7 The proposed Pension Credit (Chapter 4) continues the Government's fight against poverty and inequality, building on the reforms already underway, and its tax reforms (Chapter 5) will at the same time bring gains to older taxpayers.

Chapter Two

Providing security for today's pensioners

1 Over this Parliament, the Government is taking action to meet the three challenges it faces:

- to get extra help quickly to pensioners in poverty;
- to provide more support to those on modest incomes; and
- to ensure that those on higher incomes are treated fairly by the tax system.

2 **Next year the Government will spend £4.4 billion a year more in real terms on help for pensioners than in 1997 - that's nearly £3 billion more than would have been spent through earnings uprating of the basic state pension. Of this extra spending, £2 billion is going to the poorest third of pensioners - five times more than an earnings link would have given them.**

Action to end pensioner poverty

3 Tackling pensioner poverty has been the Government's first priority.

4 In April 1999, the Government introduced a new **Minimum Income Guarantee** (MIG) for pensioners. This significantly increased the benefit income of the poorest pensioners, creating a new, higher income threshold below which pensioners with no or little savings should not fall. The MIG is already going to nearly 2 million pensioners.

5 Currently the basic MIG is £78.45 a week for single pensioners, and £121.95 for couples. This represents £5.40 a week more for single pensioners than if Income Support had been increased in line with prices since 1997- 98. Pensioner couples have benefited by £8.50 a week. Older or disabled pensioners have gained by even more. The Government now intends to go much further:

- from April 2001 the Government will simplify the MIG by introducing one higher rate for single pensioners and one for pensioner couples;
- at the same time the Government will increase this new MIG over and above earnings uprating, to ensure that the poorest pensioners can benefit fully from the real increases in basic state pension in the next two years; and
- this will ensure that next year no single pensioner has to live on less than £92.15 a week and no pensioner couple has to live on less than £140.55 a week, some seeing real gains compared with their current position of £12.45 a week for singles and £16.65 a week for couples.

6 To ensure that the poorest pensioners get the support they need, the Government has launched the largest ever publicity campaign to encourage pensioners to take up their MIG entitlements. No pensioner should be getting by when they could be getting more. Early results from the campaign suggest that there could be more than 100,000 successful new claims.

Support for all pensioners

7 The **basic state pension** is and will remain the foundation of pension provision for all pensioners. It provides a platform upon which people can and should seek to build. The Government's longer-term pension reforms are outlined in Chapter 3, and were originally set out in the Pensions Green Paper, *A new contract for welfare: PARTNERSHIP IN PENSIONS* (December 1998, Cm 4179). Ahead of the introduction of the Pension Credit, the basic state pension also provides the only vehicle for getting the immediate extra support the Government wants to provide to pensioners on low and modest incomes. So, as part of the transition to the new Credit, the Government will:

- in April 2001, increase the basic state pension by £5, taking it to £72.50 a week for a single pensioner, and by £8 for couples, giving £115.90 a week; and
- in April 2002, ahead of the start of the Credit and as part of the normal uprating review, provide a further £3 cash increase for single pensioners taking the basic state pension to £75.50 a week for singles, and a £4.80 cash increase giving £120.70 a week for couples.

8 So in 2003, when the Government plans to start to bring in the Pension Credit, the basic state pension will be at least £77 a

week for singles and £123 a week for couples, reflecting the return to normal price uprating. And next year, single pensioners will get £2.35 a week more and couples £3.80 a week more than they would receive from an earnings uprating of the basic state pension.

9 **Winter Fuel Payments** are another key element in the Government's programme of support for all pensioners. Many pensioners have in the past found it difficult to keep themselves warm in the Winter. Fuel poverty can be a real problem for those living on low incomes. Households defined as living in fuel poverty spend more than 10 per cent of their income on heating. On this basis, half of single pensioners and a fifth of pensioner couples were living in fuel poverty in 1996.

10 The Government originally introduced Winter Fuel Payments in 1997 at rates of £20 and £50 for eligible households, and increased these to £100 last Winter. Budget 2000 set these payments at £150 per household for future years. And this Pre-Budget Report announced a further £50 increase for this year only. So this Winter, all households with a person aged 60 and over - over 8 million pensioner households, containing around 11.5 million people - will be eligible for £200 more than in 1997. As a result, they will be aaround £4 a week better off. These payments help all pensioners, but are of particular benefit to the poorest.

11 The Government has also introduced **free television licences for people aged 75 or over** from November 2000. This will save over 3 million households £2 a week.

Pensioners with modest savings

12 The Government is introducing a further pension reform in this Parliament as part of the transition to the Pension Credit. Many pensioners with only modest savings are denied entitlement to the MIG by the current upper capital limit even though their actual incomes are below the MIG level. Similarly, many pensioners face deductions from benefit under the tariff income clawback of £1 a week for every £250 held over the lower capital limit. As announced in Budget 2000, the Government will from April 2001:

- double the lower capital limit so that pensioners with capital below £6,000 do not have their MIG reduced; and
- increase the upper capital limit from £8,000 to £12,000.

13 The increase in the lower capital limit will be reflected in Housing Benefit and Council Tax Benefit. These new capital rules will benefit half a million pensioners by £5 a week on average, and will provide an extra £150 million a year to poorer pensioners.

14 This change is an important step in the right direction, but the Government is determined to do much more for this group of pensioners. They will be amongst the main beneficiaries of the Pension Credit.

Pensioners who pay tax

15 Most pensioners - 6 out of 10 - have no income tax to pay. But the Government is determined to ensure that those who do are treated fairly in the tax system. This is why:

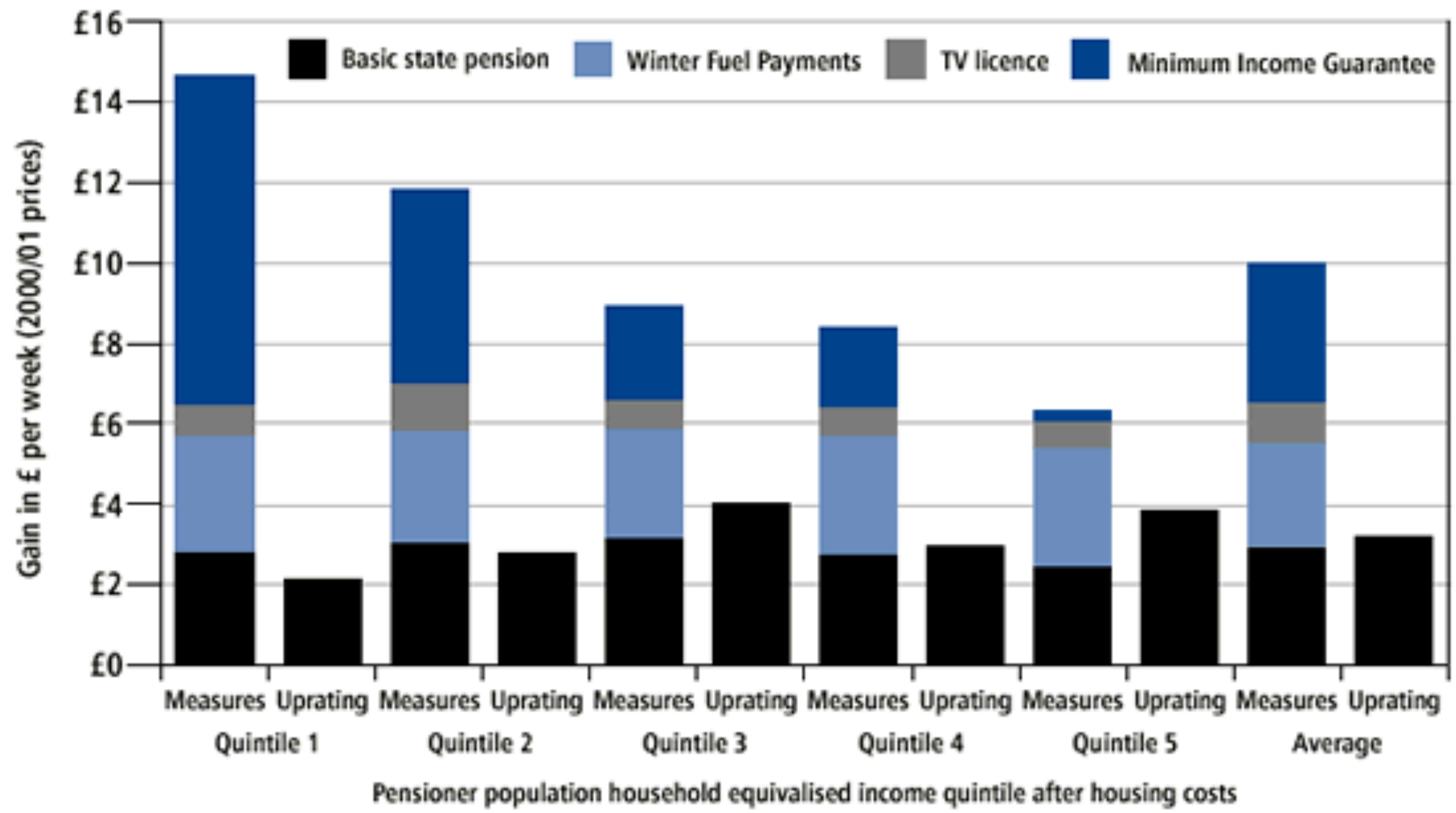
- over 4 million pensioners benefited from the introduction in April 1999 of the 10 per cent starting rate of income tax on pensions, savings income and earnings;
- almost 3 million older people who pay income tax benefited from the reduction in the basic rate to 22 per cent from April 2000; and
- for 2000-01, the personal tax allowances for people aged 65 or over increased to £5,790 for someone aged 65 to 74, and to £6,050 for someone aged 75 or over. These increases built on the above-indexation increases in the allowances for 1999- 2000. No-one aged 65 or over need pay any income tax until their income reaches at least £111 a week.

16 And, in order to simplify the tax system for older taxpayers, the Government has decided to announce changes to the levels of the age-related tax allowances in the preceding Pre-Budget Report for the years 2001- 02 and 2002- 03. This will mean that people see the benefit of increases in the allowances from April and will help to make their tax affairs easier to understand. This Pre-Budget Report therefore announced that the age-related personal allowances will rise in 2001- 02, in line with prices, to £5,990 for people aged 65- 74 and to £6,260 for people aged 75 and over.

Action for today's pensioners

17 Pensioners have seen significant gains whatever their incomes. **As Chart 3 shows, the average pensioner household will be £10 a week better off next year than in 1997 as a result of the Government's measures - £11 a week if personal tax measures are included.** This is made up of the real increase in the basic state pension (worth nearly £3 a week), Winter Fuel Payments (worth around £3 a week, and more this Winter), free TV licences for the over 75s (worth around £1 a week for the average pensioner household) and the introduction of the MIG (about £3 a week). The chart shows that the largest gains have gone to those pensioner households with the lowest incomes. It also shows how much better off pensioner households would have been if the basic state pension had been uprated by earnings - the gains from increases in the basic state pension are distributed unevenly, as richer pensioners see some of the gains recovered through tax and poorer pensioners see gains set off against their income-related benefits.

Chart 3: Comparisons of the gains from Government measures (excluding tax changes) since 1997 against earnings uprating of the basic state pension to 2001/02 – after housing costs



Source: DSS simulations, based on data from the *1997/98 Family Resources Survey*

18 **In summary, as a result of tax and benefit measures introduced by the Government since 1997, by next April:**

- 1.7 million of the poorest pensioner households will on average be at least £15 a week, or £800 a year, better off;
- half of the poorest pensioner households will on average be over £20 a week, or £1,000 a year, better off; and
- all pensioner households will on average be over £11 a week, or £580 a year, better off.

Chapter Three

Providing security for tomorrow's pensioners

1 In the 1998 Pensions Green Paper, the Government set out the weaknesses it saw in the pension system and its proposals for reform. Not only did the system the Government inherited not provide enough support to today's pensioners, it did not provide security in retirement for tomorrow's pensioners, and in particular for those on low or moderate earnings, or for carers or disabled people with broken work records.

2 The Government's approach to pension reform has been to build a system that is both affordable and that provides a decent income in retirement. A system which:

- ensures that as many people as possible have the opportunity to achieve a decent income in retirement;
- enables people who can save to see the benefits of saving for their retirement; and
- provides security in retirement for those who cannot afford to save.

3 The Government has already made good progress in addressing the problems it identified in the Green Paper. Its first priority has been to tackle the poverty it inherited amongst today's pensioners, but it has also implemented long-term reforms to the pension system to prevent pensioner poverty amongst tomorrow's pensioners.

4 For the majority of people, the most effective way to ensure a decent standard of living in retirement is to have a good second pension. The Government's policy for future pensioners aims to ensure that as many people as possible have built up a good second pension by the time they retire.

5 Second pensions are provided either by the state or by funded pension schemes. The second pension provided by the state is the State Earnings-Related Pension Scheme (SERPS). This pays less to those who have had low earnings during their working lives because it is earnings-related. Carers and disabled people who have broken work records are also not covered by SERPS and have therefore lost out. Reform of SERPS was essential if the low paid and others were to be offered the opportunity to build more substantial second pensions.

6 **The State Second Pension,** which the Government plans to introduce in April 2002, will reform SERPS. Legislation on the State Second Pension is in the Child Support, Pensions and Social Security Act 2000, which was enacted in July 2000. It will improve support for lower-paid workers, enabling them to build up much better second pensions than under SERPS. It will also extend entitlement to carers and disabled people who have broken work records.

7 In total, some 18 million people stand to gain from the State Second Pension - 14 million low and moderate earners, 2 million carers and 2 million disabled people. This means that someone earning £120 a week could get £40 a week more from the State Second Pension than they would have got from SERPS.

8 The Government has also expanded choice in the funded sector. Its aim is to ensure that people have the opportunity to make their own provision for their retirement and, where appropriate, to encourage them to do so. To achieve this, the Government is introducing **stakeholder pensions** from April 2001 - a safe, flexible, low-cost way to save for retirement - for people who can't get access to occupational pensions or for whom personal pensions are not good value.

9 These new stakeholder pensions will be portable - people will be able to take them from job to job - and will have low charges. They are likely to be of most benefit to those on moderate and higher earnings.

10 Stakeholder pensions will therefore expand the options available to moderate and higher earners who wish to provide for their retirement. They will ensure that people have access to good-value and flexible funded pensions.

11 So for the future, whether through the State Second Pension or through stakeholder pensions and occupational pensions, most people will have the decent income in retirement that can only be achieved through additional saving.

12 The Government now wants to ensure that all those who have saved already, or who wish to save in the future, can benefit

from those savings when they retire.

Chapter Four

The Pension Credit

The Government's strategy for pensioners

1 In the next Parliament, the Government will deliver further reform for pensioners by:

- acting to end pensioner poverty;
- ensuring that all pensioners who have worked hard to build up retirement income for themselves enjoy the benefits of their thrift;
- developing a fair and efficient system, making use of modern technology and paving the way for further tax-benefit integration; and
- enabling pensioners on low and modest incomes to share in the country's rising prosperity.

2 The Government has already delivered substantial additional help to the poorest pensioners - far more than they would have got if their basic state pension had been linked to earnings - and set in place longer-term reforms which protect future pensioners against poverty. The next stage will be to ensure that those who have saved are rewarded for their efforts in their retirement.

3 The current system has been successful in getting more help more quickly to those in greatest need. But it was never designed to help those with modest incomes who have built up some savings for their retirement. The Government is therefore determined to address these weaknesses, to implement radical reform which helps low and modest income pensioners, and to achieve better integration with the tax system in the longer term.

4 The Pension Credit will overhaul the current Minimum Income Guarantee (MIG) which:

- has six different rates - this unnecessary complexity deters many pensioners from claiming their entitlement;
- sets a savings trap by penalising those on the MIG by a pound for every pound of second pension they have built up;
- means that those just above MIG levels feel let down because they are so little better off for having saved: currently, a pensioner with £20 a week of occupational pension and a full basic state pension finds herself just one or two pounds a week better off than someone who saved nothing;
- further penalises pensioners through capital rules which restrict entitlement to extra support where they have prudently built up small amounts of savings for retirement; and
- involves a weekly means-test which contrasts with the less intrusive, less burdensome annual requirements for wealthier pensioners in the tax system.

The Pension Credit

5 The new Pension Credit will be introduced from 2003. It will tackle the unfairness in the current system by:

- getting extra help to the poorest pensioners; and
- rewarding pensioners with low and modest incomes who under the current system miss out on the MIG.

6 Alongside this, the Government will make changes to the tax system to help older taxpayers.

7

The key features of the Credit will include:

- higher guaranteed minimum income levels which keep pace with earnings;
- a cash reward for pensioners on low and modest incomes for every pound of income from their savings, second pension or earnings;
- abolition of the capital rules and the weekly means-test - the Credit will pave the way for greater integration with the tax system; and
- streamlined delivery and fairer assessment.

Higher guaranteed minimum income

8 In April 2001, the Government will increase the lower rates of the MIG to equal its highest rate and uprate this in line with earnings. And in 2001 and 2002 the MIG will be increased further, over and above earnings, to reflect real increases in the basic state pension. By April 2003, no single pensioner need live on less than £100 a week, and no couple on less than £154 a week. This new simplified guarantee will be indexed to earnings throughout the next Parliament.

Rewarding saving

9 Currently pensioners on the MIG are penalised for having built up savings or a second pension. So people who may have struggled during their working life to put a little aside see no benefit from this at all.

10 And those with incomes just above the MIG feel let down because they are often very little better off for having saved some of their hard-earned money.

11 The Pension Credit will ensure that those currently on the MIG do benefit from their savings, and that those who have saved to generate incomes a little above the current MIG level will also be entitled to a cash reward. For every pound saved above the level of the basic state pension, pensioners receiving the Credit will get a cash addition. At the point the Credit is introduced, some pensioners who previously received no help through the MIG could get a new savings top-up of as much as £13.80 a week.

12 People save for their retirement in a variety of ways. The Government therefore plans as far as possible to have a single way of treating all income that people have worked to build up. For this reason all income from savings and investments, such as rental income, will be rewarded in the same way. The Government also wants to support those who choose to keep working or to take a part-time job, in line with its commitment to support active ageing, by treating earnings like any other income.

How the Credit will work

13 When introduced from 2003, the Pension Credit will mean extra cash for single pensioners with incomes up to £135 a week and for couples with incomes up to £200 a week.

14 It does this, first by ensuring that no pensioner need live on less than £100 a week, because the Pension Credit includes a guaranteed minimum income level that is significantly higher than the current MIG. But secondly, for those who save, the Pension Credit goes further: it rewards saving by providing additional cash on top of the guaranteed minimum. This help is calculated at an initial rate of a 60p reward for every pound of savings income. The Pension Credit will not be taxed.

Examples of how the Pension Credit would work

- **John is aged 70 and single. He has a basic state pension of £77 a week. He also gets a weekly wage of £20 for some part-time work. The Pension Credit would top his income up to the guaranteed minimum income of £100 a week and give him a further savings top-up of 60p for every £1 he gets from his employer - an additional £12 a week. So his total Pension Credit would be £15.00 and his total income would be £112.00.**

- **Mary is 85-years-old and widowed. Her basic state pension is £77 a week and she gets £23 a week in pension from her former employer. That's a total of £100 a week. The Pension Credit would reward her with a Credit of £13.80 a week to give an overall income of £113.80 a week.**

- **Ivy is aged 66 and single. She has a basic state pension of £77 a week and SERPS of £40 a week - a total of £117. The Pension Credit will lift her income to the £100 guaranteed minimum income level plus 60p for every pound of her SERPS - that is, by £24 a week. So her final income will be £124 a week, and her Pension Credit will be £7 a week - the difference between £124 and her total basic state pension and SERPS (£117 a week).**

Figures are in 2003- 04 terms, and all pension and benefit rates are illustrative.

15 The table below shows how much Credit will be paid to people with different levels of second pension, earnings or savings income. So, for example, a pensioner with £77 a week in basic state pension and £30 a week in occupational pension will get a Pension Credit of £11 a week. This is calculated to lift his post-Credit income to £118 a week - that is, to an income that is 60p above the £100 guarantee level for every pound of his £30 occupational pension.

Illustrative examples for 2003/04 (£ per week)

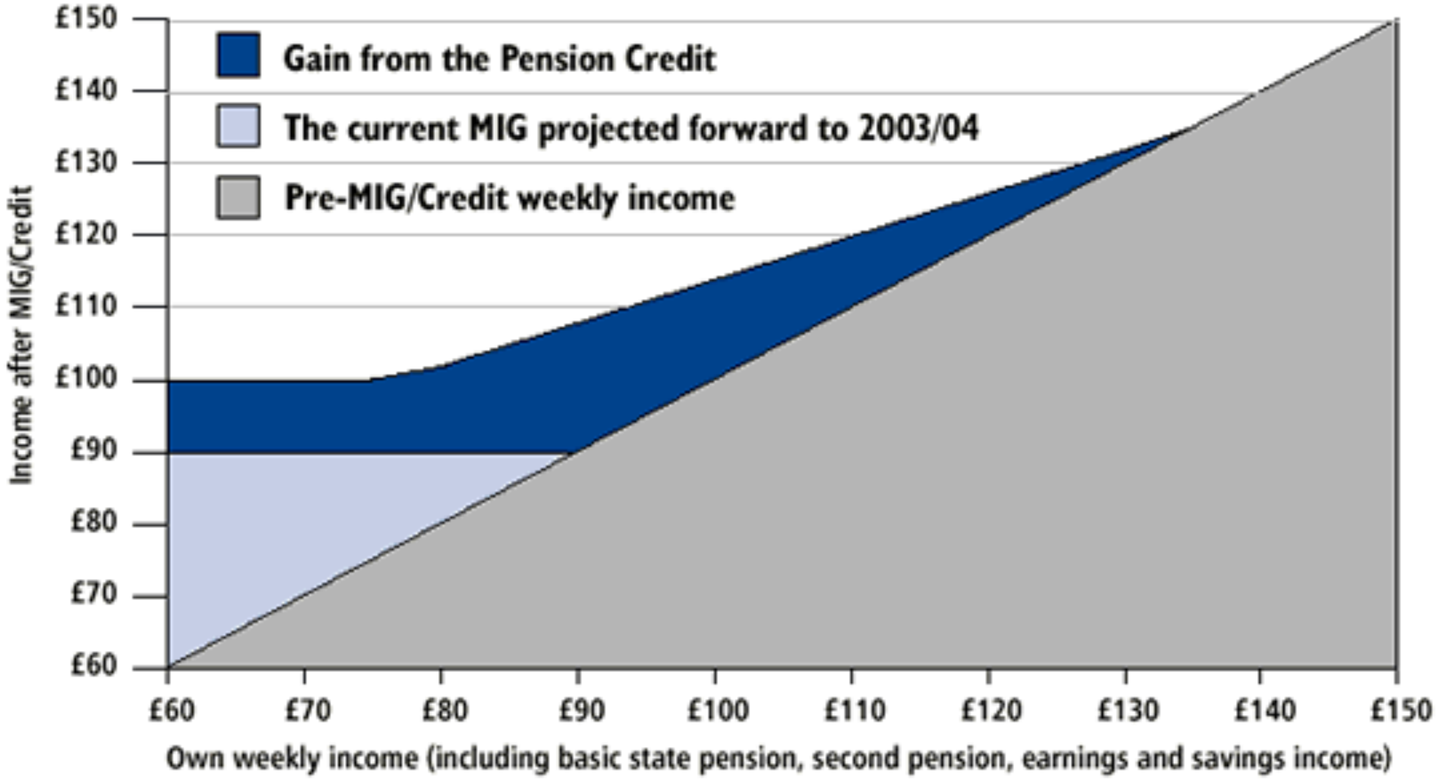
			Your Pension Credit		
Your income from savings, second pension or earnings	Your basic state pension	Your original income	Guaranteed income top-up	Savings credit	Your final income
0.00	77.00	77.00	23.00	--	100.00
10.00	77.00	87.00	13.00	6.00	106.00
20.00	77.00	97.00	3.00	12.00	112.00
30.00	77.00	107.00	--	11.00	118.00
40.00	77.00	117.00	--	7.00	124.00
50.00	77.00	127.00	--	3.00	130.00
60.00	77.00	137.00	--	--	137.00

Source: DSS

16 The Annex includes detailed tables showing how much pensioners on different income levels will be entitled to under the Government's proposals for the Credit, and the effect this has on their total incomes. The figures in this document are illustrative. The costs of the Pension Credit will depend on decisions about the detailed design following the consultation exercise - such as the nature of the interactions with other benefits such as Housing Benefit, and the detail of the legislation when it has completed its passage through Parliament. The Government will bring forward estimates of the costs of the Pension Credit once it has considered responses to this document.

17 The chart below shows the impact of the Pension Credit on pensioner incomes.

Chart 4: Illustrative gains from the Pension Credit in 2003/04 for a single pensioner



Source: DSS

18 The Credit will deliver immediate cash gains when it is introduced. But, in the same way that the guaranteed minimum income level is being linked to the growth in earnings throughout the next Parliament, so the maximum Credit will also be linked to earnings. Pensioners on the Credit will get a greater increase in support year-on-year than they would get from linking the basic state pension to earnings. So, based on trend forecasts, a pensioner with a basic state pension of £77 a week, an occupational pension of £17.50, and a Pension Credit of £20 a week in 2003 will get £4.30 a week more the following year, compared to £3.30 a week from an earnings link.

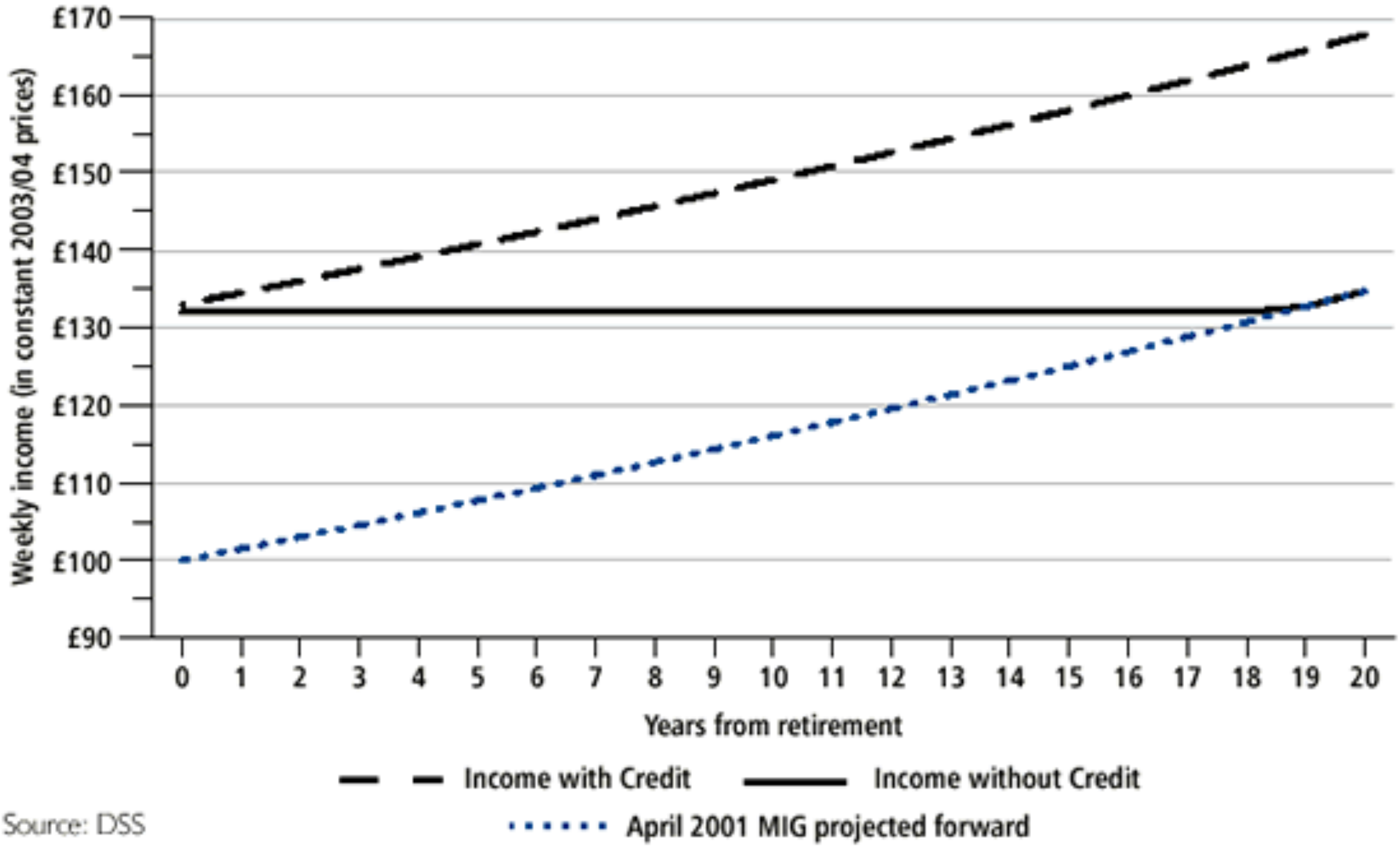
19 In this Parliament, the poorest pensioners on the MIG have seen their incomes keep pace with the incomes of the working population. In the next Parliament, the Government proposes to design the Credit so that those on low and modest incomes benefit in a similar way.

20 A typical occupational pension will rise with prices but will not keep pace with earnings. This means that, a number of years into retirement, a pensioner who retired on an income well above the MIG level can find that his living standards have fallen behind those of the general population.

21 Chart 5 shows that, under the current system, a 65-year-old man retiring in 2003 on the projected average male occupational pension of £55 a week, and a full basic state pension, would need to wait over 15 years for the MIG, rising in line with earnings, to catch up with his own income and provide him with extra support.

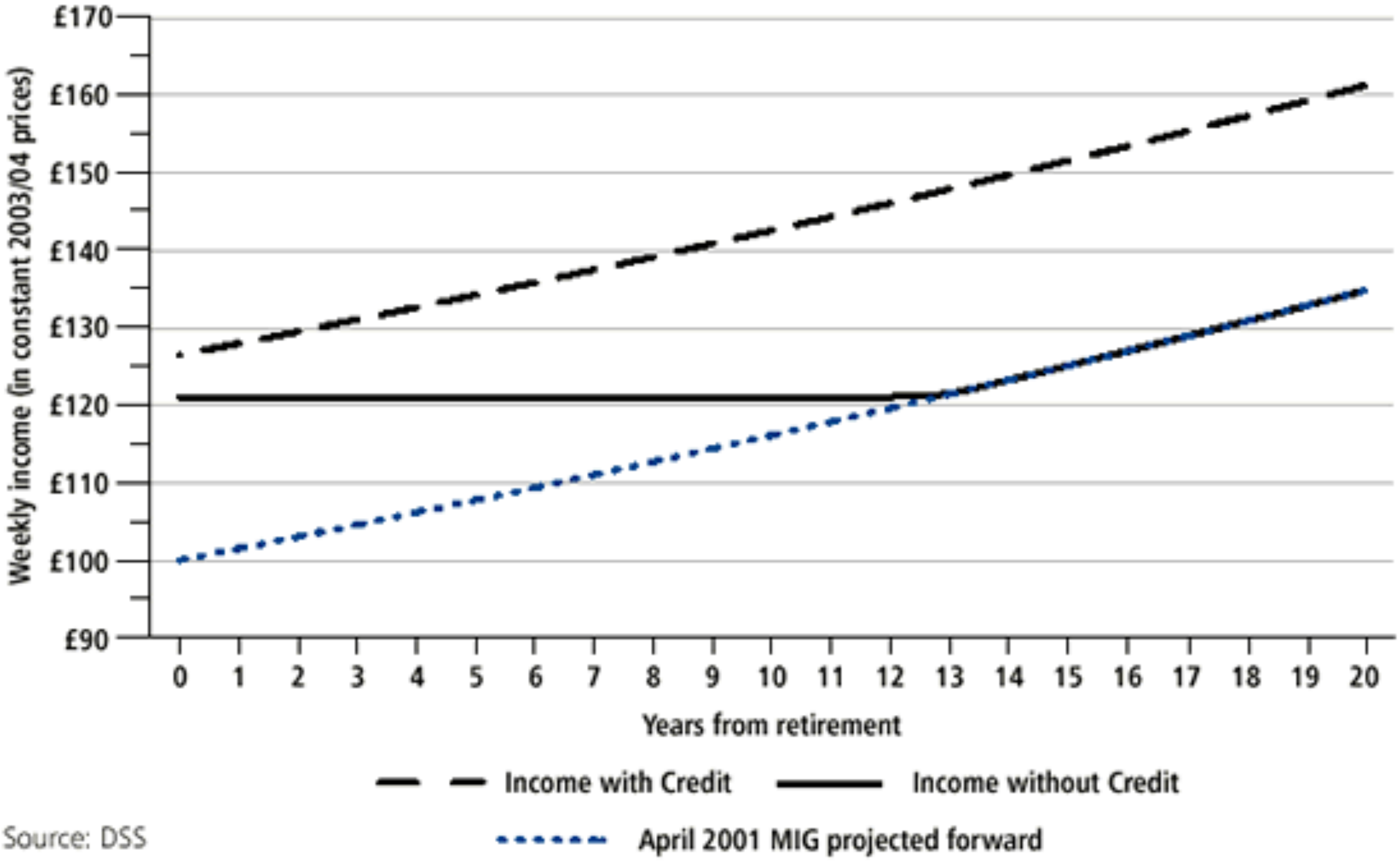
22 Under the Pension Credit, pensioners who have saved for their retirement will be able to get extra support from the Government before their incomes are overtaken by the rising guaranteed minimum income level. The Credit will also ensure that pensioners on low and modest incomes are able to maintain their position relative to the general population.

Chart 5: Effect of the Pension Credit over time for a single pensioner with median male occupational pension (£55 a week in 2003/04 prices) and full basic state pension (assumed to be £77 a week in 2003/04)



Source: DSS

Chart 6: Effect of the Pension Credit over time for a single pensioner with median female occupational pension (£44 a week in 2003/04 prices) and full basic state pension (assumed to be £77 a week in 2003/04)



Source: DSS

23 Charts 5 and 6 also illustrate how **the Credit will be of particular help to women**. The Credit is designed to help those on low and modest incomes. Women tend to have smaller occupational pensions than men - £44 a week on average in 2003- 04 prices compared to £55 a week for men. Chart 6 shows how the income of a woman retiring on an occupational pension of £44 a week might fall in relative terms over time, and how the Pension Credit will provide her with extra support.

24 The average pre-tax income in retirement for women is currently £25 a week lower on average than that for men. Women also generally live longer than men. They are therefore more at risk from the relative decline in their pension income over their retirement. More than three-quarters of those in the bottom fifth of the single pensioner income distribution are women.

25 The Credit will lift the incomes of the poorest through its guaranteed minimum income, and those of pensioners with low and modest incomes through its savings credit. So it is not surprising that two-thirds of those receiving the Credit will be women. Half of these women will be aged 80 or over.

Abolishing the capital limits

26 The current system penalises pensioners who have prudently built up capital for their retirement by restricting their entitlement to extra weekly support. And the way in which this restriction works - by assuming pensioners get unrealistically high returns on capital held as part of their weekly income - further distorts the system. This contrasts with the rules applied to wealthier pensioners in the tax system where it is the income earned from capital which is taken into account.

27 As set out in Chapter 2, the Government has already taken the first step in tackling this unfairness, by substantially increasing the capital limits. But it is proposing to go further.

28 With the introduction of the Pension Credit, the Government proposes to abolish both the capital limits and the assumed £1

a week rate of return for every £250
of capital. Under the Credit, the Government proposes instead to consider income from capital alongside other forms of income. This will also apply to pensioners' claims for Housing Benefit and Council Tax Benefit. The Government will look to the tax system to consider where there could be alignment with tax rules on the treatment of income, smoothing the path to greater tax-benefit integration in time. There are various ways of operating this new system and the Government will consider views as part of this consultation.

29 As it radically reforms the system to take income from capital into account, the Government will ensure that those in the existing system do not perversely find themselves worse off. In particular, from next year, some pensioners will be getting a small amount of income from capital of up to £6,000 but not have this taken into account in their MIG assessment. The Government will ensure that pensioners getting the MIG see the full gains from converting to the new system.

Abolition of weekly means-test

30 The Government based the MIG on the existing Income Support system in order to get extra help to the poorest pensioners quickly. Because of this, whilst many pensioners find they have fairly static incomes overall once they retire, the MIG continues to treat them like those of working age with fluctuating earnings which require up to weekly readjustments in the level of their support. This contrasts with the annual cycle of the tax system.

31 The Government therefore plans to award the Pension Credit for a longer, fixed period, drawing on experience from tax credits. The Government is consulting on how best to design and operate this new form of award. It will seek to balance the need for secure incomes with the need for a system which is sensitive enough to ensure that vulnerable pensioners get the help they need. One option would be an initial award at the point of retirement, fixed for at least a year, but rolled on unless there are material changes of circumstances, such as the death of a spouse.

Streamlined delivery

32 The Government is determined to overhaul the service provided to pensioners. It wants to make sure that pensioners can deal with all their benefit business through a single contact. It also wants pensioners to be able to contact the DSS in ways that suit them. The Government will maintain an effective local service for those who need it but will make sure that in the majority of cases pensioners can deal easily with all their business over the telephone. It will also ensure that pensioners can transact business over the internet in the future. At the heart of this transformation will be a new organisation within the public service which will be responsible for the provision of pension and benefit services to pensioners.

Moving from the MIG to the Credit

33 Pensioners entitled to additions to their MIG such as the Severe Disability Premium will also be rewarded for their saving. Income from Attendance Allowance or Disability Living Allowance will not be taken into account in the calculation of the Credit.

34 The Government recognises that Housing Benefit and Council Tax Benefit are important ways of ensuring that pensioners do not fall into poverty. The relationship between the Credit and Housing and Council Tax Benefits needs to be designed carefully in order to continue to achieve this. The Government will ensure that those getting full Housing Benefit and full Council Tax Benefit will continue to do so. It would welcome views on how this can best be achieved.

Chapter Five

Bringing the tax and benefit systems closer together

1 In the same way that the Credit will, year-on-year, deliver increases in state support at least in line with earnings growth for low and modest income pensioners, so the Government intends to help those pensioners on higher incomes. And the Government wants to take tax and benefit integration further, applying the same principles in reform of both the tax and benefit systems.

2 Most pensioners have no income tax to pay. But for those who do, the Government proposes, subject to consultation, **in 2003-04 to raise the age-related personal allowances by £240 over and above indexation.** On current estimates, this would take them **to £6,560 for those aged 65 to 74 and to £6,850 for those aged 75 or more**. And, throughout the remainder of the next Parliament, the Government proposes to increase the allowances by reference to the rise in earnings rather than the rise in prices. In the same way that a pensioner on an income of £130 a week will be entitled to a Credit of around £2 a week extra (which will not be taxed), so a pensioner paying tax at 22 per cent on income of £170 a week would find himself getting £1 extra a week in 2003- 04 through the more generous tax allowances. Raising the age-related allowances will mean that over 3 million pensioners aged 65 or over will benefit.

Integrating tax and benefits

3 Since 1997, the Government has been pursuing policies designed to bring the tax and benefit systems closer together. The Working Families' Tax Credit and the Disabled Person's Tax Credit were introduced in October 1999. A new Children's Tax Credit will come on stream from April next year. And in Budget 2000, the Chancellor announced that a new integrated system of support for families with children, accompanied by a new employment tax credit, will be introduced from 2003.

4 This programme of tax-benefit integration has been informed by the following principles:

- to **tackle poverty**, minimum levels of income should be guaranteed for the most vulnerable groups in society - the elderly, families and the ill and disabled;
- to **promote incentives to work and save**, the tax burden and high marginal tax-benefit withdrawal rates at the lower end of the income distribution should be reduced;
- to **maximise take up**, the hassle of claiming support should be reduced;
- to ensure that **support is targeted at those who need it most**, new credits should be assessed on a household basis where possible, while respecting the principles of independent taxation that each person should be taxed on their own income and have their own income tax allowance and rate bands; and
- to **improve customer service and increase efficiency** in Government, the administration of tax and benefits should be brought closer together.

5 The Pension Credit and associated changes in this consultation document build on these principles and represent a further step towards tax and benefit integration: in particular, by:

- simplifying and raising the guaranteed minimum income level to over £100 a week by 2003;
- replacing the old pound for pound withdrawal derived from Income Support with a much fairer system in the Pension Credit, which will abolish the savings trap and ensure that savings pay;
- abolishing the capital rules and replacing them with an income test, more in line with the income tax system;
- moving away from the intrusive weekly means-test to a system where awards are fixed over much longer time periods; and
- reducing the income tax burden on pensioners by raising the personal tax allowances available to those aged 65 or over.

6 Over time, the Government wants to take tax and benefit integration further, in particular: to make receipt of the Credit more automatic; to take steps to reduce overlap between the two systems; and ultimately to merge support for older people through the Credit and the tax system to create a seamless and integrated system of support.

Conclusion

1 The Pension Credit offers a radical, new approach to pension provision in this country. It will build on the basic state pension as a foundation and provide a more generous guaranteed minimum income below which our pensioners need not fall. But it will also offer a new way of rewarding those who make sacrifices during their working life to save for their retirement.

2 The Pension Credit will ensure that, for the first time, all pensioners will be able to benefit from their savings. Until now, people who have worked hard to build up savings have been penalised if they have been unable to invest enough to lift them above state benefit levels. The proposed Credit will put a stop to this.

3 When introduced, the new Pension Credit will:

- reward all those who have savings, second pension or earnings income above the level of the basic state pension, up to incomes of **£135 a week for singles and £200 a week for couples;**
- ensure that no single pensioner need live on less than **£100 a week, or £154 a week for a couple;**
- entitle **half of all pensioner households - around 5.5m individual pensioners** - to more support; and
- enable **pensioners with low and modest incomes to share in the country's rising prosperity.**

4 And the transitional arrangements that the Government will be introducing from April 2001 will provide major extra support ahead of the introduction of the Credit.

- Around half of the poorest pensioner households on the MIG will be nearly £20 a week better off by 2003 than they were in 1997. The remainder will be at least £24 a week better off.
- Pensioners whose second pension, savings or earnings lifts their pre-Credit income to the level of the guarantee will be over £16 a week better off in 2003.

5 The Government's plans for the Pension Credit build on the partnership between the individual and the State. They will ensure long-term security in retirement, not just for the few, but for everybody.

6 The Government would welcome your views on the proposals for a Pension Credit set out in this Consultation Paper. Please write to the following address:

The Pension Credit Consultation Team

Department of Social Security

5th Floor

The Adelphi

1- 11 John Adam Street

London WC2N 6HT

You can also respond by using the following email address:

pension-credit-team@ms41.dss.gsi.gov.uk

Comments should reach the team by 28 February 2001.

Responses will normally be available to the general public unless you specifically ask us to keep your views confidential.

7 This paper is available free of charge from the following address:

Welfare Reform (Pensions)

Freepost (HA4441)

Hayes

UB3 1BR

Tel: 020 8867 3201

Fax: 020 8867 3264

A service for textphone users is available on:

020 8867 3217

The lines are open Monday to Friday 9am- 5pm. **Please quote code PC.**

8 This paper can also be accessed on the internet at: www.dss.gov.uk

Annex

How the Pension Credit will work

1 The proposed Pension Credit will reward pensioners for having built up savings during their working lives, or for carrying on working.

2 Under the current system, pensioners on the Minimum Income Guarantee (MIG) lose a pound of benefit for every extra pound of second pension or earnings income. Many also either see their benefit dramatically reduced, or are excluded altogether, simply because they have quite small amounts of capital.

3 The Credit will instead look only at the income a pensioner has, not at his or her capital. And it will replace the pound for pound withdrawal in the MIG with a much fairer system. At the moment many pensioners are no better off from having saved. Under the proposed system a pensioner's post-Credit income will be at least 60p above the guaranteed minimum income level for every pound of second pension, savings or earnings income they build up above the level of the basic state pension.

4 The tables below show how the proposed Pension Credit will work when introduced from 2003. The figures are illustrative. The single pensioner shown is assumed to have a full basic state pension of £77 a week, and the pensioner couple are assumed to have a combined basic state pension of £123 a week. In both cases, all other pre-Credit income comes from a second pension, savings or earnings.

5 Taking the example of a single pensioner, the maximum Credit for someone with a full basic state pension using these illustrative figures will be £23 a week - the difference between £77 and the guaranteed minimum income level of £100 a week. The Credit would ensure that a pensioner with an occupational pension of £20 a week would as a result have a post-Credit income that was 60p in the pound - or £12 a week - above the guaranteed minimum income level. So:

- their post-Credit income would be £112 a week;
- their Credit would be £15 a week - that is, the amount needed to top their £77 basic pension and their £20 a week occupational pension up to £112; and
- they would be £12 a week better off because of the Credit than they would be under the current system - and that's on top of the gains they make from the real increases in the basic state pension and the Minimum Income Guarantee announced for April 2001 and April 2002.

Single pensioners £ per week, 2003- 04

	Your Pension Credit		
Your original income	Guaranteed income top up	Savings credit	Your post-Credit income
77.00	23.00	-	100.00
78.00	22.00	0.60	100.60
79.00	21.00	1.20	101.20
80.00	20.00	1.80	101.80
81.00	19.00	2.40	102.40
82.00	18.00	3.00	103.00
83.00	17.00	3.60	103.60
84.00	16.00	4.20	104.20
85.00	15.00	4.80	104.80

86.00	14.00	5.40	105.40
87.00	13.00	6.00	106.00
88.00	12.00	6.60	106.60
89.00	11.00	7.20	107.20
90.00	10.00	7.80	107.80
91.00	9.00	8.40	108.40
92.00	8.00	9.00	109.00
93.00	7.00	9.60	109.60
94.00	6.00	10.20	110.20
95.00	5.00	10.80	110.80
96.00	4.00	11.40	111.40
97.00	3.00	12.00	112.00
98.00	2.00	12.60	112.60
99.00	1.00	13.20	113.20
100.00	-	13.80	113.80
101.00	-	13.40	114.40
102.00	-	13.00	115.00
103.00	-	12.60	115.60
104.00	-	12.20	116.20
105.00	-	11.80	116.80
106.00	-	11.40	117.40
107.00	-	11.00	118.00
108.00	-	10.60	118.60
109.00	-	10.20	119.20
111.00	-	9.40	120.40
112.00	-	9.00	121.00
113.00	-	8.60	121.60
114.00	-	8.20	122.20
115.00	-	7.80	122.80
116.00	-	7.40	123.40
117.00	-	7.00	124.00
118.00	-	6.60	124.60
119.00	-	6.20	125.20
120.00	-	5.80	125.80
121.00	-	5.40	126.40
122.00	-	5.00	127.00

123.00	-	4.60	127.60
124.00	-	4.20	128.20
125.00	-	3.80	128.80
126.00	-	3.40	129.40
127.00	-	3.00	130.00
128.00	-	2.60	130.60
129.00	-	2.20	131.20
130.00	-	1.80	131.80
131.00	-	1.40	132.40
132.00	-	1.00	133.00
133.00	-	0.60	133.60
134.00	-	0.20	134.20
135.00	-	-	135.00

Pensioner couples £ per week, 2003- 04

	Your Pension Credit		
Your original income	Guaranteed income top up	Savings credit	Your post-Credit income
123.00	31.00	-	154.00
124.00	30.00	0.60	154.60
125.00	29.00	1.20	155.20
126.00	28.00	1.80	155.80
127.00	27.00	2.40	156.40
128.00	26.00	3.00	157.00
129.00	25.00	3.60	157.60
130.00	24.00	4.20	158.20
131.00	23.00	4.80	158.80
132.00	22.00	5.40	159.40
133.00	21.00	6.00	160.00
134.00	20.00	6.60	160.60
135.00	19.00	7.20	161.20
136.00	18.00	7.80	161.80
137.00	17.00	8.40	162.40
138.00	16.00	9.00	163.00

139.00	15.00	9.60	163.60
140.00	14.00	10.20	164.20
141.00	13.00	10.80	164.80
142.00	12.00	11.40	165.40
143.00	11.00	12.00	166.00
144.00	10.00	12.60	166.60
145.00	9.00	13.20	167.20
146.00	8.00	13.80	167.80
147.00	7.00	14.40	168.40
148.00	6.00	15.00	169.00
149.00	5.00	15.60	169.60
150.00	4.00	16.20	170.20
151.00	3.00	16.80	170.80
152.00	2.00	17.40	171.40
153.00	1.00	18.00	172.00
154.00	-	18.60	172.60
155.00	-	18.20	173.20
156.00	-	17.80	173.80
157.00	-	17.40	174.40
158.00	-	17.00	175.00
159.00	-	16.60	175.60
160.00	-	16.20	176.20
161.00	-	15.80	176.80
162.00	-	15.40	177.40
163.00	-	15.00	178.00
164.00	-	14.60	178.60
165.00	-	14.20	179.20
166.00	-	13.80	179.80
167.00	-	13.40	180.40
168.00	-	13.00	181.00
169.00	-	12.60	181.60
170.00	-	12.20	182.20
171.00	-	11.80	182.80
172.00	-	11.40	183.40
173.00	-	11.00	184.00
174.00	-	10.60	184.60

175.00	-	10.20	185.20
176.00	-	9.80	185.80
177.00	-	9.40	186.40
178.00	-	9.00	187.00
179.00	-	8.60	187.60
180.00	-	8.20	188.20
181.00	-	7.80	188.80
182.00	-	7.40	189.40
183.00	-	7.00	190.00
184.00	-	6.60	190.60
185.00	-	6.20	191.20
186.00	-	5.80	191.80
187.00	-	5.40	192.40
188.00	-	5.00	193.00
189.00	-	4.60	193.60
190.00	-	4.20	194.20
191.00	-	3.80	194.80
192.00	-	3.40	195.40
193.00	-	3.00	196.00
194.00	-	2.60	196.60
195.00	-	2.20	197.20
196.00	-	1.80	197.80
197.00	-	1.40	198.40
198.00	-	1.00	199.00
199.00	-	0.60	199.60
200.00	-	0.20	200.20
201.00	-	-	201.00

Source: DSS

6 The detailed arrangements for the Pension Credit will ensure that pensioners who benefit from the existing £6,000 MIG lower capital limit will be no worse off under the Credit.

7 Older taxpayers also stand to gain from the Government's proposed tax changes from 2003- 04. Based on current assumptions, and in rounded terms, a person aged 65 or over with weekly income before tax between £165 and £355 would stand to gain £1 a week in real terms from the proposed increase in the age-related personal tax allowances.