

Update on the Pensioners project (July 2014)

The OTS published its report on Pensioner taxation in January 2013. The report contained a number of administrative changes, which we acknowledged would take time to implement. It was also possible that our direct recommendations would be overtaken by other developments. We will be perfectly happy if the needs we identified are met by routes other than our specific ideas.

HMRC recently provided us with an update of progress on our various recommendations (attached). We shared this with members of the Consultative Committee (CC) who had worked with us on the Pensioners project and the OTS recently met with the HMRC project team to discuss the CC's comments and talk further about what is going on in this sphere. The DWP were also involved in the meeting.

We are grateful to HMRC for the update and welcome the positive approach they are taking to the issues and recommendations raised in our report. All recognise that there are some significant 'wins' for all concerned in our recommendations.

As will be seen from HMRC's schedule, most of the initiatives under way will result in digital solutions and this was an issue that particularly concerned CC members. Many pensioners are 'digitally excluded' and there are always concerns about how easy it is for those – not just pensioners – who can use computers to actually get efficient connections. HMRC is working toward digitally enabling its services, so it is inevitable that digital solutions are going to be the way forward here. The need to cater for those for whom such routes are difficult or impossible is very much on the HMRC team's agenda.

Looking at each of our main recommendations:

The 'DWP60'

A statement from the DWP is unlikely to be possible but the annual tax summary route should meet the needs we identified. The key, as we stressed, is that pensioners are given accurate data – in the manner of a P60 – on the income they have received from the state. That will help their understanding and should be able to be fed into their tax returns. So the tax summary needs to distinguish and explain:

- State pension
- Other taxable benefits
- Non-taxable benefits

Most pensioners who received a coding notice in the last 18 months will receive a summary. It is unfortunate that the first statements will go out after the deadline for paper tax returns. HMRC agree that using the information on the statement is all that is needed for tax return purposes for the relevant items.

A composite coding notice

HMRC's planned digital solution will clearly help those who are able to access it. Our concern is whether this gets at the fundamental problem of a constant shower of disconnected tax codes, coupled with the lack of a likely delivery date for the new solution. Again, HMRC recognise the problem and the solution that is being worked towards will help. Longer term, the extent to which tax codes are actually needed at all is something the OTS has raised and which HMRC recognise.

R85 improvements

A lot of progress has been made, as HMRC record, with joint efforts between HMRC, the BBA and the BSA; the OTS and LITRG have been involved in these discussions. The new 0% rate for savings means an even greater need for good information to be available to savers.

Online R40

The OTS was keen to see a simple, online system for reclaiming small amounts of tax (the 10% savings rate being the classic example which the move to a 0% rate will not entirely obviate) outside of the full SA system. Those who couldn't use an online solution could of course continue to use the existing paper return. We'll wait with interest to see the results of the HMRC pilot project.

HMRC & DWP working together

Perhaps the biggest achievement to come from the OTS project so far is the much increased liaison between HMRC and DWP, which has resulted in a lot of good joint work on publications. The 'feed' of data from DWP to HMRC, which enables the taxpayer statements, is well established and proven. Long may this cooperative working continue!