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Pensioners have been urged to check their tax liability after the state pension rose this month (Image: Getty Images/iStockphoto)

Pension warning as millions could face HMRC tax bill they didn't know was due

With the state pension rising to £11,502 a year from this month - just £1,068 below the personal allowance of £12,570 - more and more older Brits are going to have to pay tax on their pensions

By Ruby Flanagan, Money Reporter
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Millions of **pensioners** have been warned to check if they could owe tax to HMRC.

Over the last 14 years, the number of pensioners liable for tax has doubled from 4.5million in 2010, to more than nine million now. With the **state pension** rising to £11,502 a year from this month, just £1,068 below the personal allowance of £12,570, more and more older Brits are going to have to pay tax on their **pensions**.

n a column for the **Yorkshire Post**, Ros Altmann, a former Pensions Minister turned campaigner, highlighted that those claiming the new full state pension was now 92% of the way towards the personal tax threshold. The full basic state pension has risen to £8,814 a year which is 70% towards the threshold.

However, she warned that millions of older pensioners also accrued additional state pension payments such as the State Earnings-Related Pension (Serps), State Second Pension (S2P), Protected Rights and Guaranteed Minimum Pensions. This means just a small amount of extra income either from other pensions or savings could tip someone into tax liabilities.

Ros says this is concerning as many pensioners have no idea they need to pay taxes at all particularly if they have never been liable before. Alongside this, Ros warns that pensioners who are married or in civil partnership, who give part of their personal allowance to their partner with "marriage allowance" have an even lower personal allowance of just £11,310.

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The former pensions minister said this would cause huge "distress" to pensioners, and called on the HMRC and the Department for Work and Pensions (DWP) to notify pensioners of the risks. She added: "More are now at risk of being hit with fines and penalties for not paying a tiny amount of tax they never knew was due. Most of those tipped into tax will be poorer pensioners with little more than their state pension to live on."

If you miss the annual tax deadline on January 31, then you face an automatic late penalty of £100. If you fail to pay, then this escalates to £10 a day after three months. After six months the penalty increases to 5% of the tax owed or £300 - whichever is higher.

Ros has called on the Government to raise the personal allowance in line with inflation. Secondly, the Government should be warning pensioners "clearly" of the potential tax liabilities they could face when claiming. She said: "The DWP should send out clear notification to everyone receiving State Pension notification letters, warning them that they should check their tax position and DWP/HMRC should consider national advertising and a media campaign."

The former pensions minister said that HMRC should also ensure that it has sufficient helpline capacity to cope with queries from worried pensioners adding: "Often the elderly have no digital access and cannot use online services easily. HMRC should also look into a dedicated helpline for older people."

Thirdly, she said "proper liaison" between HMRC and the DWP was needed so that pensioners could receive a notification of an unexpected tax liability they may face. She concluded that the tax system was already "far too complicated" and too many confused pensioners are at risk being punished rather than supported.

She added: "Careful reform could alleviate some of the social problems, either by better liaison between HMRC and other Government Departments but also by ensuring that people can pay any tax due easily and that they know what their responsibilities will be. Currently, this is not happening."