CIVIL SERVICE PENSIONERS' ALLIANCE

NEWSLETTER

Number 65 **26 January 2011**

Dear Colleague

INCOME TAX CHANGES FOR 2011-12

In Newsletter 59 I said:-

*From 06 April 2011 the basic **personal allowance** for Income Tax will rise from £6,475 **to £7,475**. The personal allowance for someone aged 65 to 74 will remain at **£9,490** and for someone aged 75 or more at **£9,640**. The maximum income a pensioner can have and still get the age-related allowances is currently **£22,900**. **If**, there is any increase in this limit, it is likely to be in line with the CPI.*

*Nothing has yet been said about the **married couple's allowance** (for those aged 75 and over), which is currently **£6,965**. The married couple's allowance is currently subject to the **£22,900** income limit for age-related allowances but there is a minimum allowance of **£2,670**. The married couple's allowance is given at the rate of 10%.*

*Nothing has yet been said about the **blind person's allowance**, which is currently **£1,890** but we would expect it to rise in line with the CPI.*

*The 10% starting rate of Income Tax for savings income is expected to apply to income between £0 and £2,440. If an individual's taxable non-savings income is above £2,440, then the 10% savings rate will not be available for savings income. The basic Income Tax rate of 20% will apply to the first £34,900 (after the personal allowance) of taxable earned income and pensions. The 40% Income Tax rate will apply to such income above £34,900. **(Note. The reduction in the current basic rate limit is expected to be about £2,500 but the precise figure is not yet known.)** The 50% rate is expected to apply to income over £150,000.*

However, HMRC have now issued the following on their website:-

http://www.hmrc.gov.uk/rates/it.htm

You will see that for 2011- 2012:-

The **personal allowance** for someone aged 65 to 74 will rise from £9,490 **to £9,940** and for someone aged 75 or more will rise from £9,640 **to £10,090**. The maximum income a pensioner can have and still get the age-related allowances will rise from £22,900 **to £24,000 (**but there will be further restrictions for those with incomes above £100,000).

The **married couple's allowance** (for those aged 75 and over) will rise from £6,965 **to £7,295**. The allowance will be subject to an **income limit of £24,000** but there will be a **minimum allowance of £2,800**. The married couple's allowance is given at the rate of 10%.

The **blind person's allowance** will rise from £1,890 **to £1,980**.

The 10% starting rate of Income Tax for savings income will apply to savings income between £0 and **£2,560**. If an individual's taxable non-savings income is **above £2,560**, then the 10% savings rate will not be available for savings income. The basic Income Tax rate of 20% will apply to the first **£35,000** (after the personal allowance) of taxable income. The 40% Income Tax rate will apply to such income **above £35,000** and the 50% rate will to apply to income **above £150,000**.

INDEX-LINKING OF PUBLIC SECTOR PENSIONS

We are still in discussion with our lawyers over the possibility of a legal challenge but I am not yet in a position to report further.

In the meantime, our political campaign continues with the support of other pensioner organisations and the trade unions. We have met with about a dozen MPs and we will be meeting with an Opposition spokesperson next month.

104 MPs have, so far, signed Early Day Motion 1032; 1 from the Alliance Party, 5 from the Democratic Unionist Party, 1 from the Green Party, 1 Independent, 84 from the Labour Party; 4 from the Liberal Democrats, 3 from Plaid Cymru, 3 from the Scottish National Party, 2 from the Social Democratic and Labour Party and 0 from the Conservative Party. You can find a full list by clicking on the following link:-
http://edmi.parliament.uk/EDMi/EDMDetails.aspx?EDMID=42021&SESSION=905

If your MP has not yet signed the EDM, it would be helpful if you would again ask them to do so. A model letter is at the end of this Newsletter. It is unusual from front-bench spokespersons to sign EDMs but that should not prevent them from giving you messages of support.

I hope to be in a position to issue a more comprehensive report at the end of February.

THESE NEWSLETTERS

People often call us to ask whether they have missed one of these Newsletters. I do not issue them at regular intervals; rather I issue them when I have something to report, which might not appear in *the Pensioner* for some time. Essentially, they are a précis of those items that we publish in Group Circulars, which will be of interest to the membership at large. As soon as I issue a Newsletter, I post it on the Newsletter page of our website www.cspa.co.uk. **So, you can check there to see whether you have received the latest one.**

Yours sincerely

John Amos

John Amos
Deputy General Secretary

January 2011

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Dear

INDEX-LINKING OF PENSIONS AND BENEFITS

You will, no doubt, be aware that the Government proposes to change the index-linking arrangements for pensions and benefits. The Government intends to replace the Retail Prices Index with the Consumer Prices Index. This will leave millions of pensioners much worse off financially and will force some of them, particularly women, into poverty.

The Government makes much of its "triple lock" guarantee for the basic state pension but this will not apply to the Second State Pension, nor will it apply to occupational pensions. Nor will it improve the lot of state pensioners in the short to medium term because prices are forecast to outstrip earnings for some time to come.

The CPI is usually about 1% less than the RPI. The OBR forecasts that by 2017 the CPI will result in pension increases of 8.5% less than the RPI would have produced. The Emergency Budget Red Book said that by 2015 pensioners would be collectively worse off to the tune of £6 billion. Lord Hutton has said that public sector pensioners would be between 15% and 25% worse off over a life time. These are losses too large for pensioners to bear. The financial penalty will stretch far beyond the term of this Parliament, during which time the Government hopes to resolve the current financial deficit.

The Government has not consulted with the UK Statistics Authority over the change and the Authority does not agree that the CPI, as it currently stands, represents a proper measure of inflation. The Government, itself, is committed to including housing costs within the CPI index but does not expect to be able to do so before 2012. The purpose of Section 150 of the Social Security Administration Act 1992 is to protect the value of pensions against the ravages of inflation, which pensioners do not cause. A Minister who lays an increase order on the basis of a measure which does not reflect the "general level of prices" specified in the Act would be acting outwith his legal responsibilities.

Therefore, a number of Members of Parliament have laid EDM 1032 in the following terms:

That this House notes the Government's proposal to use the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) for the price indexation of benefits, tax credits and public service pensions; further notes that the CPI is consistently lower than the RPI; expresses concern over the impact that this will have on the incomes of pensioners and other vulnerable groups; recognises the concerns held by the Royal Statistical Society and the UK Statistics Authority that CPI excludes many housing costs which are borne by the majority of pensioner households; and calls on the Government to take these concerns into *account and postpone the change from RPI to CPI until the appropriateness of CPI as a measure of price increases borne by pensioner households can be fully evaluated.*

This is a matter of grave concern to pensioners. There is no good reason why we should suffer a lifetime of financial detriment to solve a short-term deficit, which is not of our making.

I, therefore, ask you to support EDM 1032 and to make suitable representations to Ministers.

I look forward to hearing from you.

Yours sincerely