

## Frequently Asked Questions

Many people, when they retire, find that their tax affairs become quite complicated. This month we have listed a few of the most common questions our clients ask and our replies.

### Taxing state pensions

#### ***'But surely state pensions are not taxable because no tax is deducted'***

You are quite right that no tax is deducted from your state pension but it is a taxable income. If you receive a notice of coding, a P2, from HM Revenue & Customs, you will see that your state pension has been deducted from your tax free personal allowance, allowing it to be paid free from tax.

#### ***'But my state pension is larger than my tax free allowance so some of it will not be covered'***

In that case you will owe tax on some of your state pension – example, if in this year your state pension is £13,000 and the tax free allowance is £12,500 then you will owe tax at 20% on the excess of £500. That tax will usually be collected from another source, such as a works pension or wages.

#### ***'But I don't have another source of income, I only have my state pension so how can I pay the tax?'***

In the past, you would have had to file a tax return so that HMRC could send you the annual tax bill. But in more recent years, they are able to just send the tax bill so that you do not need to complete the tax return each year – this is called Simple Assessment and is an easier system for our clients.

### When your income changes during the tax year.

#### ***'I retired from work in August of last year but HMRC has issued a tax code for that old employment for this tax year, what can I do?'***

This is usually because your employer has not told HMRC to close the record because you have stopped work. This means that HMRC will continue to calculate a code for your non-existent wages which may result in paying too much tax on your other income (you may have started to receive a pension). A code correction can be made by calling HMRC to explain that your employment ended on a certain date.

### Dealing with HMRC

#### ***'I tried to call but I cannot get through to HMRC/cannot make them understand/cannot understand what they are saying'***

HMRC are encouraging everyone to access their tax records online and for those who can, this is a very good way to keep up to date with their tax and report changes to HMRC. However, if that is not possible for you these tips may help;

HMRC phone lines are open seven days a week, so try perhaps at the weekend or in the evening. Lines are open Monday to Friday 8am to 8pm, Saturday 8am to 4pm and Sunday 9am to 5pm.

Once you have listened to the recorded advice to go online, you will be asked for a short explanation of the tax problem, do not start explaining the background! Instead have a key phrase ready, for instance 'My tax codes are wrong', 'I need a refund' or 'I can't afford to pay my bill'. That should let you access a real person. Make sure you have your National Insurance number ready too.



**TAX HELP**  
FOR OLDER PEOPLE

Ask the tax officer to repeat what they have said if you don't understand, and try to keep the conversation focused on the problem you want solved. Ask HMRC to send you a letter explaining what you have discussed or agreed (or a new coding notice).

If the taxpayer cannot make the call or explain the situation to HMRC, it is acceptable for a family member or trusted friend to make the call to the point they are talking to a tax officer and then the taxpayer can give permission for the representative to speak to HMRC on their behalf.

If you fail to achieve what you think should happen and you fit our criteria, see below, just give us a ring and we will do our best to help.

This article is by Tax Help for Older People Registered Charity no 1102276 (Scotland no SC045819), offering free tax advice to older people on incomes below £20,000 a year. The Helpline number is 01308 488066.