Under triple lock and key

What would a 'triple-lock-plus' policy look like?

May 2024 | Mike Brewer and Alex Clegg

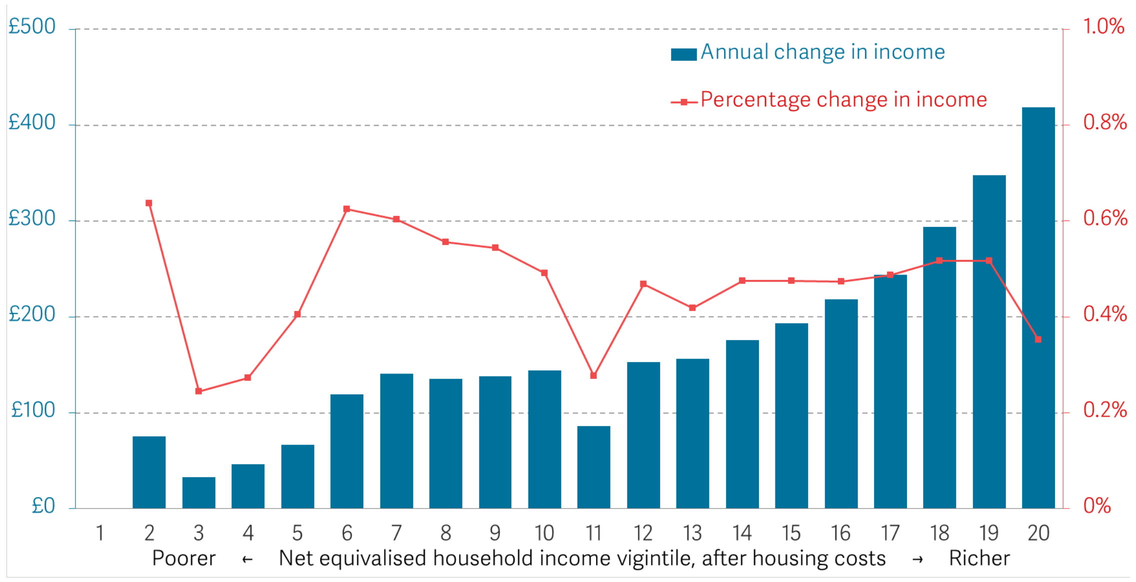
The Conservative Party has announced that, if re-elected, it intends to increase the personal allowance for pensioners in line with the triple lock – a policy which has been referred to as 'triple lock plus', or the 'quadruple lock'. We've had a look at the costs and impacts of such a policy, and how it sits against the backdrop of the approaches taken to the Income Tax personal allowance under previous Conservative Chancellors.

The Conservative Party has announced that, if re-elected, it plans to increase the personal allowance for pensioners in line with the triple lock (the highest uprating between 2.5 per cent, inflation or growth in average earnings) – a policy which has variously been referred to as a 'triple lock plus', or the 'quadruple lock'.

If pensioner personal allowances were increased at the same rate as pensions, they would reach £14,340 by the end of the next parliament (2029-30). That is a £1,260 increase on the £13,080 it is currently on track to reach, under the existing policy. As a result, around 8 million tax-paying pensioners would see an annual tax cut of around £250 a year by the end of the next Parliament, at a cost of just over £2 billion to the Treasury (although there would be small offsetting savings in reduced entitlement to Pension Credit). The bulk of the cut would benefit richer pensioners – especially those in households with more than one taxpaying pensioner – see Figure 1.

Figure 1 **The biggest tax cuts would go to the richest pensioner households**

Annual impact on pensioner household incomes of raising the pensioner personal allowance in line with the Triple Lock: UK, 2029-30



Notes: Data is shown in 2024-25 prices. The bottom 5 per cent is excluded due to concerns about the reliability of data for this group.
Source: RF analysis of DWP Family Resources Survey using the IPPR tax-benefit model.

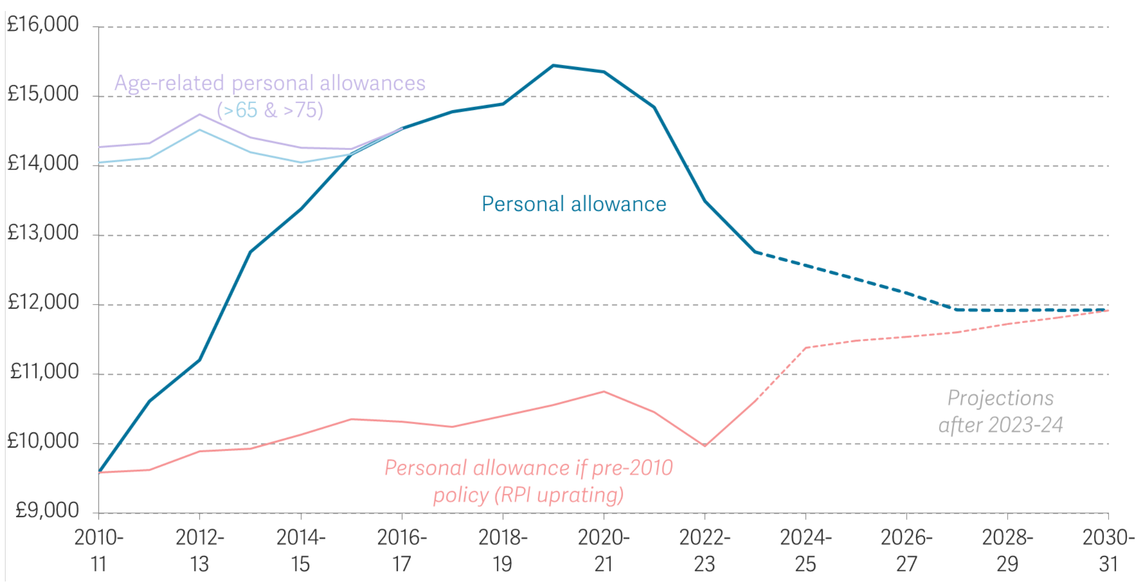
As current policy stands, the freezes to the personal allowance that have been in place since April 2021 would have meant that some pensioners would have started paying Income Tax on the new state pension from April 2028. The Conservative Party says that this proposed policy would ensure no pensioner would ever pay tax on their state pension. But it is worth noting that it is only younger pensioners (men born after 1951, women born after 1953) in receipt of the new state pension who were facing the possibility of paying Income Tax due to the threshold freezes. Nonetheless, all pensioners would benefit from this effective tax cut.

This policy would reverse several trends in tax policy set in motion by previous Conservative Chancellors. First, it goes some way to cancelling the impact of freezes in the Income Tax personal allowance first announced by Rishi Sunak as Chancellor in March 2021, and due to continue to April 2028. The proposed triple-lock uprating would effectively undo 65 per cent of that six-year freeze. Had the current Government not frozen the personal allowance, then it would be set to reach £16,660 by 2029-30, more than £2,000 higher than it would be under this 'triple-lock-plus' policy.

Second, this policy would reverse George Osborne's decision to get rid of higher Income Tax personal allowances for pensioners (see Figure 2); this decision was made when the 2010-2015 coalition Government provided higher personal allowances for all. Finally, it stands in contrast to the direction of travel in the most recent Budgets, where recent tax changes have benefitted working-age household over pensioners.

Figure 2 **The higher personal allowance for pensioners was phased out to provide higher personal allowances for all**

Real (CPI-adjusted) value of the Income Tax personal allowance: UK



Source: RF analysis with projections based on OBR, Economic and Fiscal Outlook, March 2024.
Notes: Data is shown in 2024-25 prices.

In real terms, the proposed new pensioner personal allowance in 2029-30 will be slightly below what the age 65+ personal allowance was in 2010-11, standing at 93 per cent of its value. And this is one reason why more older people are paying tax: the number of people aged 65 or over paying Income Tax has nearly doubled from 4.5m in 2009-10 to 8.5m in 2023-24, although demographic changes and the higher pension income typically accruing to more recent pensioners are also pushing these figures up.

There is some merit in wanting to keep the state pension free of Income Tax, and the cost of this tax cut in the next Parliament is relatively small. In general, though, it is not clear why older people need a higher personal allowance than working-age taxpayers, nor why the gap between the personal allowances of working-age and pensioner taxpayers should be on an ever-increasing trajectory, as it would be if the pensioner personal allowance were triple-locked.