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Starmer Leaves Door Open to Tax-Band Freeze, Raising Pensioner Concern

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Prime Minister Sir Keir Starmer has sparked concern after refusing to rule out extending the freeze on income tax thresholds beyond the planned end date of April 2028. Critics warn that this “fiscal drag” could effectively impose a hidden tax on working households and pensioners, with early estimates indicating up to £9 billion in additional revenue by the end of the Parliament.

Sir Keir reassured Members of Parliament (MPs) that he remains “committed to our manifesto promises” not to raise headline rates of income tax, National Insurance (the United Kingdom’s social security levy), or Value Added Tax, but he maintained strategic ambiguity over threshold policy. He emphasised adherence to self-imposed fiscal rules, though he declined to guarantee any revision to tax bands.

Chancellor Rachel Reeves, who had previously claimed that maintaining the freeze “would hurt working people”, now faces a budget shortfall estimated between £20 billion and £30 billion. The Institute for Fiscal Studies has warned that unless tax thresholds are adjusted in line with inflation, approximately 4.2 million additional people could enter the tax system, with 3.5 million individuals pushed into the higher 40 percent income tax band by 2028–29. Alarmingly, many pensioners may find their state pension income exceeding the tax-free personal allowance and therefore becoming taxable for the first time.

Kemi Badenoch, leader of the Conservative Party, criticised the ambiguity and warned that Labour risks introducing a “retirement tax” by quietly taxing pensioners. She emphasised that elderly people, already facing pressures from reductions in winter fuel payments and stricter pension credit criteria, should not be penalised further.

The Office for Budget Responsibility has noted that freezing tax thresholds could raise nearly £49 billion by 2029–30. While this strategy avoids overt tax hikes, it places the burden on wage growth, causing millions to pay more tax even if income tax rates remain unchanged.

With public finances under scrutiny and no clear answers from the Labour-led government, pressure is mounting ahead of the autumn

Budget. For millions of Britons, especially pensioners, the question remains whether a quiet tax raid is being disguised as fiscal prudence.