HM Revenue
& Customs

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Dame Meg Hillier
Chair of the Treasury Committee
House of Commons
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Dear Dame Meg,

On 1 July, I wrote to the Committee to explain that HMRC had identified a historical error in the taxable State Pension amounts used in certain tax calculations. Ahead of our Committee hearing next week, I am writing with a short update on the resolution which I hope is helpful.

Since my previous letter, HMRC has made progress addressing the issue, firstly fixing forward to ensure these errors do not occur again, and secondly on correcting recent years for customers in future.

On 25 August, HMRC implemented the change needed to ensure that future annual reconciliations for PAYE and Simple Assessment customers use the correct State Pension figures. These customers account for the substantial majority of those affected. We also expect to correct the pre-populated figures for Self Assessment customers who have not yet submitted their 2025–26 returns during September. We will correct the position for those that have already filed their 2025-26 return soon after. This should resolve the problem for 2025-26 and prevent it recurring in future, and we will monitor this carefully and can provide a further update if helpful.

Looking backwards, we will identify affected customers and correct their tax positions for recent years, without requiring them to make a claim. This proactive exercise will cover the tax years from 2020–21, the maximum period for which the available data enables us to identify and correct cases reliably and efficiently. As a result, we estimate that approximately 3.2 million customers will receive tax repayments totalling around £19.3 million. Repayments will be made through PAYE coding adjustments, credits to Self Assessment accounts or, where necessary, other payment methods such as payable orders. We expect to complete the majority of corrections and repayments during the 2026–27 financial year.

If customers believe they were affected in earlier years and have the necessary evidence, they can ask HMRC to review their position. These requests will be considered on a case-by-case basis.

I am sorry that this error occurred and recognise the impact on affected customers. As set out in my earlier letter, we will also conclude an Internal Audit review, ensuring the lessons are identified and applied in future.

Yours sincerely,

John-Paul Marks
First Permanent Secretary and Chief Executive
HM Revenue & Customs