8.Overall, to what extent do you think the current State Pension deferral policy achieves its intended purposes of giving people flexibility over when to claim their State Pension and supporting those who wish to work for longer? Select one

- To a great extent
- To some extent
- To a limited extent
- Not at all
- Not sure

9. Do you think that State Pension deferral should be maintained in its current form, changed or removed? Select one

- Maintained in its current form
- Changed
- Removed
- Not sure

10.Please explain your answer to question 9.

ATT considers that the option to defer State Pension should be maintained broadly in its current form.

The ability to defer provides individuals with flexibility over when they begin to receive their State Pension. We do not consider that there is a clear case for removing that choice or fundamentally redesigning the current arrangements, provided that individuals are given sufficiently clear information to understand the consequences of the options available to them.

This approach is consistent with ATT's wider principles for effective policy and administration: arrangements should be simple, practical, efficient and supportive, with rules that are easy to understand and guidance that provides additional explanation and illustrative examples where necessary.

For many individuals, the decision whether to defer State Pension cannot sensibly be separated from its tax consequences. The timing of a claim can affect both the amount and timing of taxable income. Information about deferral should therefore explain the pension and tax consequences together, rather than requiring individuals to piece together information from different sources.

Retaining the current framework should not mean retaining all aspects of the current customer journey unchanged. DWP explains that, under the rules applying to the new State Pension, an individual receives no State Pension while deferring and their pension increases by 1% for every nine weeks deferred, equivalent to just under 5.8% for a 52-week deferral. Individuals therefore need to understand both the income they are foregoing and the additional pension they may subsequently receive.

ATT would particularly like to see improvements to the information supporting that decision. Guidance should clearly distinguish between deferral, extra State Pension, backdating and arrears, including the fact that arrears and extra State Pension cannot arise for the same period. Worked examples comparing the available choices would be consistent with ATT's principle that the tax system should be supportive.

There should also be much clearer integration of the tax consequences into the decision-making process. ATT's wider work on State Pension taxation has identified difficulties for taxpayers in understanding and reconciling the State Pension figures used for tax purposes, including the absence of a P60-style year-end taxable figure and complications arising from four-weekly payments.

Accordingly, ATT's preference would be to retain the underlying deferral choice while improving the information, guidance and tax administration surrounding it, rather than introducing fundamental changes to the deferral rules themselves.

11. What do you think the purpose or objectives of State Pension deferral should be and why?

ATT considers that the primary purpose of State Pension deferral should be to provide individuals with genuine flexibility over when they begin receiving their State Pension. The objective should not be to encourage or discourage deferral, but to enable people to make an informed choice appropriate to their individual circumstances.

To achieve that purpose, the arrangements should be simple, fair, practical and efficient, supported by clear and accessible guidance. Individuals should be able to understand what they will forego during a period of deferral, what additional State Pension may result, the alternatives available to them, including backdating where applicable, and the potential tax consequences of their decision.

12. In your organisation's view, which groups are more likely to defer their State Pension, and what factors influence decisions to defer?

Our members, who assist thousands of businesses and individuals to comply with their taxation obligations, identify two principal reasons why taxpayers may be more likely to defer their State Pension.

The primary reason for deferring State Pension is the receipt of other taxable income that is expected to cease or reduce in future years. This may include business income or income from continuing employment. These taxpayers may wish to avoid a reduction in their personal allowance where State Pension would take their total taxable income over £100,000, or they may wish to reduce the amount of State Pension subject to higher or additional rates of income tax. Instead, they anticipate claiming their State Pension in later years when their earned income has reduced.

The second reason does not have reducing tax as its aim – instead taxpayers may simply have sufficient income for their current needs and seek to increase the income available when they eventually retire.

13. In your organisation's view, do the outcomes of deferral vary between different groups? Please explain which groups may experience different outcomes, what those outcomes are and why they may differ.

Our members' experience is limited to represented taxpayers, so we cannot draw firm conclusions about differences in outcomes between represented and unrepresented groups. Represented taxpayers may rely on their agents to explain the tax consequences of deferral, and some also have financial advisers who can explain its potential benefits and disadvantages. Members report that clients who have not taken professional advice are often unaware of their options or find the guidance confusing.

The common misconception that State Pension is not taxable exacerbates this difficulty. Unrepresented taxpayers may decide to defer without understanding the financial implications, although our members' experience does not establish how often this occurs or the resulting outcomes.

In particular, the distinction between deferral and backdating is not clear. Information should enable individuals to compare claiming immediately with deferring, rather than presenting the additional weekly pension in isolation. Deferral involves foregoing State Pension payments for a period in exchange for a potentially higher subsequent entitlement; individuals need to understand how many years of receiving the higher rate would be required to make up for the pension foregone. On a simple calculation that ignores future uprating, tax and the time value of money, an increase of just under 5.8% following a one-year deferral would take approximately 17 years to recover the State Pension forgone during that year. Official guidance should explain this through worked examples and make clear that individual outcomes will vary.

We consider that a personalised illustration showing the effect of different deferral periods would help individuals understand this trade-off more effectively than general guidance alone.

14. In your organisation's view, does State Pension deferral affect decisions about continuing in paid work or retiring? Select one

- Yes
- No
- Not sure

15. If you selected yes for Question 14, please describe the effect. This could include evidence about whether deferral affects when people leave paid work, the number of hours they work, the type of work they undertake or when they consider themselves retired.

Deferral can form part of planning for the transition from paid work to retirement. Those who wish to remain in employment or self-employment may seek to defer State Pension until they

retire entirely or reduce their working hours. They would not describe themselves as retired until they leave employment or cease self-employment. Others may choose not to defer and instead save or invest their State Pension to help support them when they retire. These examples illustrate how deferral choices can interact with working and retirement plans; they do not, by themselves, establish that the availability of deferral causes individuals to work for longer or change their hours or type of work.

16. Barriers to making an informed decision: What barriers, if any, affect people's ability to make an informed decision about when to claim their State Pension? Select all that apply

- No barriers identified
- Lack of awareness of deferral
- Lack of relevant or timely information
- Difficulty understanding the financial implications
- Unclear or complex guidance
- Digital or accessibility barriers
- Not sure
- Other

17.If you selected 'Other' for Question 16, please specify. N/A

18. Please explain why you selected the option(s) in Question 16

Our selections reflect the importance of individuals understanding both the options available and their financial and tax consequences before deciding when to claim their State Pension. As explained in our response to Question 13, our members' experience relates to represented taxpayers; it does not provide a basis for quantifying how widespread these barriers are across the wider population.

Members report that clients who have not taken professional advice are often unaware of their options or find the guidance confusing. A lack of awareness of deferral can prevent individuals from considering whether it would suit their circumstances. Information also needs to be relevant and available before a decision is made, with clear explanations of the income forgone, the additional pension that may subsequently be received and the potential tax consequences.

The financial implications can be difficult to assess, particularly where an individual continues working or expects their taxable income to change. The misconception that State Pension is not taxable adds to this difficulty. Individuals need worked examples comparing claiming immediately with deferring, including how long they would need to receive the higher pension to recover the payments forgone.

Unclear terminology is a further barrier: guidance should distinguish deferral, extra State Pension, backdating and arrears, explaining which options can apply to the same period. Our selection of digital or accessibility barriers reflects the need to ensure that information is available in accessible formats and through non-digital routes, rather than evidence from our

members about the prevalence of these barriers. Improving the clarity, timing and accessibility of information would support informed choice without encouraging or discouraging deferral.

The system should not depend on an individual having access to a tax adviser or financial adviser in order to understand the basic consequences of deferral. Government guidance should be sufficiently clear for an unrepresented individual to understand the principal pension and tax implications and to identify when their circumstances mean that further advice may be appropriate.

19. Barriers encountered when making a claim: What barriers, if any, do people experience when making a State Pension claim after a period of deferral? Select all that apply

- No barriers identified
- Lack of information about how or when to claim
- Unclear how much State Pension they will receive
- Unclear or complex guidance
- Difficulty accessing advice or support
- Digital or accessibility barriers
- Not sure
- Other

20. If you selected 'Other' for Question 19, please specify.

Lack of worked examples to enable taxpayers to make a decision.

21. Please explain why you selected the option(s) in Question 19.

The points made in our response to Question 18 also apply when an individual claims after a period of deferral. In addition, claimants need clear and timely information explaining how to make the claim, when payments will begin, how the increased amount has been calculated and how any backdated payment will be taxed. Worked examples should show the distinction between receiving extra State Pension and claiming arrears through backdating. Claimants should also have access to non-digital assistance where required.

22. If State Pension deferral were maintained or changed, which aspects, if any, should be considered further?

- How the amount gained by deferring is calculated
- Eligibility rules
- Backdating arrangements
- Information and guidance
- None
- Not sure
- Other

23. If you selected 'Other' for Question 22, please specify. N/A

24. What aims or considerations should inform any future decisions about State Pension deferral? Select all that apply

- Simplicity
- Flexibility over when people claim their State Pension
- Supporting people to work later in life
- Fairness between different groups
- Customer understanding
- Income adequacy in retirement
- Not Sure
- Other

25. If you selected 'Other' for Question 24, please specify. N/A

26. Are there any groups whose circumstances or outcomes should be considered in any future assessment of State Pension deferral? Please explain your answer.

Any future assessment should consider whether individuals have an opportunity to understand and exercise the deferral choice, as well as whether outcomes differ between groups. As noted in our response to Question 13, our members' experience relates to represented taxpayers. We therefore suggest the following groups for consideration, rather than drawing firm conclusions about differences in their outcomes.

An assessment should examine whether differences in access to advice affect awareness of deferral, understanding of its tax consequences and the ability to compare it with claiming immediately or backdating where applicable.

It should also consider individuals who need non-digital support or accessible information, to assess whether they can obtain the explanations and assistance needed to make an informed choice and subsequently claim.

Considering these groups would be consistent with the aims of fairness, customer understanding and income adequacy selected in Question 24. The assessment should inform clear, accessible guidance and practical support while preserving individuals' freedom to choose whether to defer.

For the individual, the pension decision and its tax consequences are closely connected. Information provided by government should reflect that reality.

In particular, we recommend:

- clearer distinction between deferral, extra State Pension, backdating and arrears;
- clearer separation of the pre- and post-6 April 2016 deferral regimes;
- practical comparative examples showing the consequences of different claiming choices;
- prominent information clarifying that State Pension is taxable;
- improved DWP and HMRC signposting and joined-up guidance; and
- greater transparency around the State Pension amounts relevant for income tax purposes.

DWP should consider providing individuals with a personalised illustration before they decide whether to defer. This could show their State Pension entitlement if claimed immediately, the

amount of pension forgone by deferring for specified periods, the estimated increased weekly amount following deferral and an indicative break-even period. It should also explain the availability of backdating and clearly highlight that State Pension is taxable and that the individual's ultimate tax position will depend on their other taxable income.

If a personalised illustration were not possible, an interactive online tool would be helpful, allowing individuals to enter their own figures and compare the impact of deferring their State Pension for different periods, such as 3, 5 or 10 years.

We consider that these measures would support individuals in making better-informed decisions and reduce the risk of unexpected tax consequences.

27.Where possible, please provide links or references to evidence supporting your responses and indicate which questions each source relates to. Please do not include names, National Insurance numbers or other information that could identify you or another individual. Any case studies or examples must be anonymised.

‘I have one recollection of a client doing this without seeking advice, then they were shocked and disappointed to realise, it meant the higher figure was taxable, when, at the time, the ordinary State Pension would have been tax-free as it was below the personal allowance.’

‘Many people believe that the State Pension is not taxable.’

‘When our client decided to claim his backdated State Pension, he assumed that DWP would take some weeks to process the claim. DWP processed it sooner than expected, and the backdated payment fell onto the tax year in which he was an additional rate taxpayer rather than the following year when he would have been paying at basic rate.’