



Department
for Work &
Pensions

Research and analysis

Means testing Winter Fuel Payment at over £35,000 taxable income per annum – impact on poverty levels

Published 9 June 2025

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Introduction

In June 2025, the UK government announced that, from Winter 2025, the eligibility criteria for Winter Fuel Payment in England and Wales will be expanded so that more pensioners are eligible for Winter Fuel Payment.

All pensioners will receive Winter Fuel Payment but those individuals with a taxable income above £35,000 per annum, and who are not in receipt of Pension Credit or another relevant means-tested benefit, will have their Winter Fuel Payment amount claimed back via the tax system. There is an option to opt out of Winter Fuel Payment.

This publication provides estimates of the impact of the policy change on the numbers and proportions of individuals in poverty by age group in financial year ending (FYE) 2030.

Methodology

The Department for Work and Pensions' Policy Simulation Model (PSM) is used to model the impact of policies on individuals and poverty levels in the UK. The PSM is a static microsimulation model based on a snapshot of the UK population from the Family Resources Survey (FRS), currently for the financial years ending 2020, 2022 and 2023. It uses caseload forecasts alongside benefit rules to simulate results such as poverty levels for each year, currently up to and including FYE 2030.

To model the impact of policies on poverty the PSM compares new policies to a baseline scenario, which assumes existing benefit rules. In the case of Winter Fuel Payments, the baseline assumes universal Winter Fuel Payments, in line with the policy before the announcement in Autumn 2024. The PSM estimates the effect of the policies on equivalised household incomes both before (BHC) and after housing costs (AHC) and uses this information to estimate the change in poverty rates due to the policy.

As the poverty impacts presented are independent of the underlying trends in poverty, they are not an estimate of the change in poverty over time.

This analysis has some limitations.

The model assumes that all eligible pensioners in England and Wales receive a payment. This is the delivery default.

It has not been possible to model the receipt of shared payments for households with more than one pensioner benefit unit. For example, in this scenario:

Female, aged 66, annual taxable income of £15,000, living with her husband, aged 66, annual taxable income of £15,000, in receipt of State Pension only. They live with the female's father, aged 88, annual taxable income of £15,000, and is in receipt of State Pension only.

The PSM would model a total household Winter Fuel Payment of £500 instead of the actual £400.

All three would in fact receive a shared payment of £100, and the father would also receive an (unshared) age addition of £100, whereas the model assumes the father would receive a payment of £300 as if he were a pensioner aged 80 or over living alone rather than the actual £200 shared payment + 80+ addition.

This is likely to have a minimal effect on poverty impacts.

This analysis assumes that by FYE 2030, the system will be in steady state and that, by the end of the tax year, those who are not eligible will have had the payment deducted via the tax system. It is not possible to model the previous tax year's deductions in the PSM as it is a static model.

To model the policy in England and Wales, in this model, an individual is eligible for Winter Fuel Payment if they are at State Pension age in that year of the model and are resident in England or Wales. The amount depends on their age, whether they are in a benefit unit with any other pensioners, and whether they are in receipt of Pension Credit or other means tested benefits, if in a mixed age couple. The headline amounts are £200 for a pensioner living alone who is aged under 80, and £300 for a pensioner living alone who is aged 80 or over. In the model, these payments are only paid to those with a gross taxable income of £35,000 or less.

Taxable gross income used to assess eligibility includes:

- earnings
- retirement pension
- Jobseeker's Allowance
- widow's benefit
- occupational pension
- personal and annuity pension

- taxable interest
- rental property income
- Carers Allowance
- statutory sick
- paternity, maternity and adoption pay
- Employment and Support Allowance
- Incapacity Benefit

It is unequivalised and is in in year prices.

This applies in England and Wales. Winter Fuel Payments are a transferred (devolved) matter in Northern Ireland, and winter heating assistance is a devolved matter in Scotland. For modelling purposes, however, to calculate poverty effects in England and Wales one must first run the model for the UK as a whole. This means that dummy figures need to be used for Scotland and Northern Ireland, for purely methodological reasons. Dummy figures are needed because it is not known what decisions may be made by the Devolved Governments. These figures do not reflect the current policy of the Scottish Government for winter 2025 to 2026 [\[footnote 1\]](#), and do not pre-judge what future decisions may be made by the Scottish Government or Northern Ireland Executive. The figures used are based on a hypothetical policy that all pensioners in those two jurisdictions would receive payments equivalent to those made in England and Wales, with none of these payments then being recovered via the tax system. Therefore the poverty impacts presented are at a UK level, but policy changes have only been modelled in England and Wales.

Estimates are rounded to the nearest 50,000 individuals and the nearest 0.1 percentage point due to uncertainties inherent in the modelling approach.

Poverty analysis has been conducted for four measures of poverty, both relative and absolute low income, both before and after housing costs. Further information on the methodology behind these measures can be found in [How low income is measured in households below average income statistics \(https://www.gov.uk/government/publications/how-low-income-is-measured\)](https://www.gov.uk/government/publications/how-low-income-is-measured) and in [Household below average income series: quality and methodology information report FYE 2021 \(https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2021/household-below-average-income-series-quality-and-methodology-information-report-fye-2021#interpreting-low-income-measures\)](https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2021/household-below-average-income-series-quality-and-methodology-information-report-fye-2021#interpreting-low-income-measures).

Poverty impacts of the policy change

It is estimated that the impact of the policy change will be zero on the number or proportion of pensioners, individuals, children and working age individuals in any measure of poverty (relative and absolute, before and after housing costs) in FYE 2030 compared to a policy of universal Winter Fuel Payments.

Statement of compliance with the Code of Practice for Statistics

The [Code of Practice for Statistics \(the Code\)](https://code.statisticsauthority.gov.uk/) (<https://code.statisticsauthority.gov.uk/>) is built around 3 main concepts, or pillars:

- trustworthiness – is about having confidence in the people and organisations that publish statistics
- quality – is about using data and methods that produce statistics
- value – is about publishing statistics that support society's needs

The following explains how we have applied the pillars of the Code in a proportionate way.

Trustworthiness

The figures were created following internal DWP interest in understanding the impact of expanding the eligibility criteria for receiving Winter Fuel Payment. They are being published to give equal access to all those with an interest in them.

Quality

The data that underpins this information is taken from DWP's Policy Simulation Model, DWP's administrative data and includes caseload forecasts taken from DWP and HMRC data.

Value

Releasing this information serves the public interest in the poverty impacts of expanding the eligibility criteria for Winter Fuel Payment. The figures also help reduce the administrative burden of answering Parliamentary questions, Freedom of Information requests and other forms of ad hoc enquiry and serves public.

Further information and feedback

Contact [DWP Press Office](#)

(<https://www.gov.uk/government/organisations/department-for-work-pensions/about/media-enquiries>) if you have any questions or feedback.

1. £200/£300 for households in receipt of Pension Credit or other qualifying means-tested benefits, and £100 for all other eligible pensioners in Scotland. The Northern Ireland Executive has made no decision yet on its policy for winter 2025 to 2026.

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