Salary Finance

April 2025

The 2025 Spring Statement and new tax year

What does it mean for you?

The Spring Statement

The recent Spring Statement can be overwhelming and translating it from politician-speak to plain English isn't straightforward.

We've created this overview of the changes announced in the March 2025 statement, which are relevant to you and your family, and a reminder of other changes previously announced, which will come into effect in the 2025/26 tax year. If you would like to read our summary of the Autumn Budget 2024, you can do so here.

The UK economy: What's ahead?
Along with the Spring Statement, the Office for Budget Responsibility (OBR) released a report on the UK's economic outlook. The OBR now expects the economy to grow by just 1% in 2025-26, down from the 2% it predicted last autumn. This lower growth is mainly due to uncertainty in the global financial situation. However, growth is expected to pick up again from 2026 onwards.

Key takeaways
Inflation: Inflation is expected to average 3.2% this year, dropping to 2.1% in 2026 and 2% by 2027. The government's target is 2%.

Interest rates: The Bank of England kept interest rates at 4.5% in March.

Wages: Real wages are expected to rise by 2.2% this year, 2.6% in 2026 and 5.6% in 2027. However, many households will face higher living costs, with bills like energy, water, and council tax going up in April.

Earnings

Increase in minimum wage

From 1st April 2025 employees will benefit from an increase in the minimum wage.

These rates are for the National Living Wage (for those aged 21 and over) and the National Minimum Wage (for those of at least school leaving age).

The rates change on 1 April every year.

	21 and over	18 to 20	Under 18	Apprentice
April 2024	£11.44	£8.60	£6.40	£6.40
April 2025	£12.21	£10.00	£7.55	£7.55

VAT and Income Tax Self Assessment taxpayers

From April 2025, penalties for late payments will increase, to encourage taxpayers to pay on time.

The new rates will be

- 3% of the outstanding tax if it's overdue **by 15 days or more**
- 3% when overdue by 30 days or more
- 10% per annum when overdue by 31 days or more

Income tax

Tax rates for the different bands remain at 20%, 40% and 45%, and both the personal allowance (which determines how much income is tax-free) and the thresholds for these tax rates will stay frozen until April 2028. This means a larger portion of future pay rises will be taxed.

Suggested actions

If you are on National Minimum Wage or National Living Wage, review your payslip in April to ensure it reflects the increase.

Ahead of the change in April, you can check how your take-home pay will be impacted by visiting **thesalarycalculator.co.uk**.

Explore whether giving up some of your salary (known as **salary sacrifice**) in favour of higher pension contributions and/or funding a company car with 75g/km or less (typically electric or plug-in hybrids) could help lower your tax costs.

Pensions

State Pension

From 6th April 2025, the State Pension will increase by 4.1%, rising from £221.20 per week to £230.25 per week.

National Insurance

You have until 5th April 2025 to top up missing National Insurance contributions from 2006 to 2016 to ensure you receive the full State Pension.

After this date, you can only make voluntary contributions for the previous 6 years.

Pensions

Pensions are still a great way to save

Tax-friendly
Pensions are very tax-efficient, which means they help save on tax.

Employer contributions save on National Insurance
Any money your employer puts into your pension doesn't attract National Insurance. If you "swap" some of your salary for more employer pension contributions (called salary sacrifice), this can increase your pension savings without extra National Insurance costs.

Tax relief on contributions
Every pound you put into your pension gets income tax relief at your highest rate. For example:

- Basic rate taxpayers get 20% relief
- Higher rate taxpayers get 40% relief
- Additional rate taxpayers get 45% relief

Helps reduce tax charges

- **For Parents**
  If you earn over £60,000 and get Child Benefit, pension contributions can lower your income to help reduce or avoid the **High Income Child Benefit Charge**.
- **For Higher earners**
  If you earn over £100,000, pension contributions can help you reclaim your Personal Allowance and keep access to tax-free childcare.

Annual contribution limit
There's no cap on how much you can build up in your pension fund over your lifetime.

However, there is an annual contribution limit of £60,000 for most people. If you want to put in more, you may be able to use unused allowance from the last three years.

Pensions

Suggested actions

Ensure that you are **taking full advantage of your employer's workplace pension scheme** and, if available, check out whether it makes sense to 'swap' some of your salary for higher pension contributions, given the very favourable tax treatment.

If you have children and either parent earns between £60,000 – £80,000 or over £100,000, investigate whether additional **pension contributions could help you regain child benefit and free childcare**.

Ensure that you have completed a **pension death benefit nomination**, to ensure that the pension trustees are aware of your preferred beneficiaries. This will ensure your dependents receive the benefits quickly in the event of your death.

Check your entitlement to **State Pension** and identify any gaps in National Insurance contributions.

If you are over 50 years old, check out the free **Pension Wise** guidance service.

Saving and investing

Individual Savings Accounts (ISAs)

ISAs continue to provide tax-free income and gains. The Treasury's Spring Statement document said 'the Government is looking at options for reforms to Individual Savings Accounts', but for now, the annual subscription limits will remain unchanged at:

- £20,000 for Cash and Stocks & Shares ISAs
- £4,000 for Lifetime ISAs
- £9,000 for Junior ISAs and Child Trust Funds

Non-ISA savings accounts

There was no change to the Personal Savings Allowance. This is the amount of interest one can earn tax-free currently and is set at £1,000 (or £500 for 40% taxpayers).

People earning less than £17,570 from employment and/or pension income will continue to be able to receive up to £5,000 of savings income tax-free each tax year.

Help to Save account (HtS)

The Help to Save account offers working people who receive Universal Credit (UC) or Tax Credits the ability to save between £1 and £50 per month for up to 4 years and receive a tax-free bonus of 50% of the amount saved.

The Help to Save scheme is available until April 2027. From April 2025, more people will be eligible to open a Help to Save account, when all Universal Credit recipients who earn from work at least £1 per pay period will be eligible for the account.

This change removes the previous requirement that UC recipients must have earnings equivalent to 16 hours per week at the National Living Wage to qualify. It is estimated that this will enable around 3 million people to benefit.

Saving and investing

Suggested actions

Read this **Salary Finance blog** to remind yourself of the benefits of holding savings and investments within ISAs.

If your employer offers the **Salary Finance Save** solution, consider whether a salary deducted savings account would make it easier for you to build up savings.

671,000 18-22 year olds have an unclaimed Child Trust Fund worth £2,200 on average. Use the government **CTF tracing service** if this applies to you.

If you qualify, think about opening a Help to Save account. You can open an account via Salary Finance (check if it is offered through your employer **here**) or directly with **HMRC**.

Financial support and state benefits

Working age benefits increased

Working age benefits, such as Personal Independence Payments, Jobseekers Allowance, Child Benefit and others, will increase in April 2025.

Personal Independence Payment (PIP)

PIP is money for people who have extra care or mobility needs as a result of a disability. From November 2026, a new eligibility requirement will be introduced for PIP. To receive the daily element of the benefit, individuals must score at least four points on one PIP daily living activity.

This change will result in fewer people qualifying, with an estimated 800,000 individuals affected, each facing an average loss of £4,500 per year.

Universal Credit (UC)

From April 2026, the standard allowance for Universal Credit (UC) will increase for both new and existing recipients. For the 2025/26 tax year, a single person aged 25 or over will receive £92 per week. In 2029/30 it will rise to £106 per week.

Starting in April 2026, the health element of UC, available to those who cannot work due to sickness or disability, will be halved for new recipients – from £97 per week in 2024/25 to £50 per week in 2026/27, and then frozen until 2029/30. For existing recipients, the health element will remain frozen at £97 per week until 2029/30.

Carer's Allowance

Carer's Allowance is a weekly benefit paid to people who provide at least 35 hours a week unpaid care for an eligible person. To qualify, the carer must earn no more than £151 per week after tax, National Insurance, and certain expenses, including 50% of personal pension contributions.

There are two changes to Carer's Allowance from April 2025:

- The rate paid rises to £83.30 per week.
- The maximum amount the carer can earn from working will be raised to £196 per week (equal to 16 hours per week at the National Living Wage).

Financial support and state benefits

Household Support Fund

An additional £742 million will be provided to local authorities in England, Scotland, Wales, and Northern Ireland for the 2025-26 tax year to support low-income and financially vulnerable individuals.

This funding can be used for essentials such as food, clothing, heating, and, in some cases, rent.

Universal Credit Debt

Some Universal Benefit recipients can end up owing money to the Department of Work and Pensions (DWP) as a result of overpayments or taking a loan from the DWP against future benefits.

From April 2025, a new Fair Repayment Rate will cap debt repayments made from Universal Credit income at 15%, down from 25%. The government estimates this will benefit 1.2 million households, increasing their income by an average of £420 per year, including 700,000 of the poorest families with children.

Suggested actions

Use Salary Finance's **Better Off Calculator** to help you easily identify if you are missing out on valuable financial support, which could help with living expenses.

Make sure you are aware of employee benefits available to you, including **Salary Finance**. There might be discounts and other forms of financial support that could help your money go further and offer support if you are a carer.

Check out your employer's Employee Assistance Plan and other sources of free guidance and help on money matters from **Salary Finance** or charities like **Citizens Advice** and **StepChange**.

Childcare

Free childcare

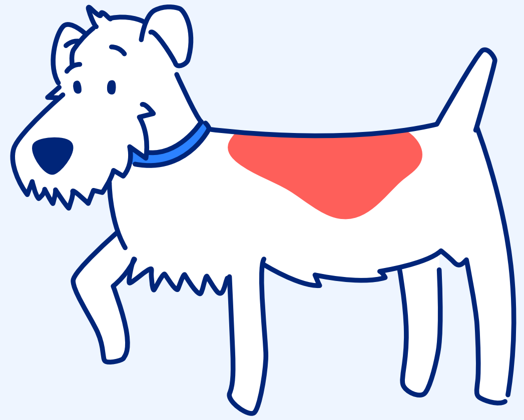
Starting in September 2025, eligible working families will be entitled to 30 hours of free childcare per week for children aged 9 months until they begin school.

Breakfast clubs

The first 750 primary schools to pilot the Government's **Free Breakfast Club Scheme** will begin the programme in April.

High Income Child Benefit Charge (HICBC)

Starting summer 2025, employed individuals liable for the HICBC will be able to report their family's Child Benefit payments through a new digital service and choose to pay the HICBC directly via PAYE, eliminating the need to register for Self Assessment.



Suggested actions

Check out the government childcare support resources **here** to explore what support you might be eligible for.

If you're a higher earner consider if you can take advantage of **salary sacrifice** for your pension to adjust your income to remain under the £100k threshold.

Schools selected for the early adopter scheme will contact families directly about how to sign up for the breakfast club. You can see if your child's primary school is part of the pilot **here** (use the interactive map).

Housing

Lifetime ISA

The rules for **LISAs** remain unchanged and are available to individuals aged 18-40.

Savers can receive a government bonus of 25% on contributions of up to £4,000 each tax year, which can be used to help purchase their first home (up to £450,000 with a mortgage) or to support retirement from age 60.

Renters Rights Acts

Although not announced in the Spring Statement, a draft Bill is currently going through parliament to give renters greater rights and protections. This is expected to become law in spring or summer 2025.

Affordable housing

An additional £2 billion will also be invested into social and affordable housing for 2026-27, to deliver 18,000 additional new homes.

Housing

Residential property purchase tax (England & Northern Ireland)

Stamp duty is a tax levied on the purchase of property. From April 2025 the temporary reductions in this tax will revert to the old rates, with lower tax-free amounts as follows:

- **First Time Buyers**
  The tax free amount falls from £425,000 to £300,000
- **Non First Time Buyers**
  Tax free amount falls from £250,000 to £125,000

First Time Buyers - England and Northern Ireland			
Property value	Completion BEFORE 1st April 2025	Property value	Completion FROM 1st April 2025
First £425,000	0%	First £300,000	0%
£425,001 - £625,000	5%	£300,001 - £500,000	5%
Property purchase price must not exceed £625,000, otherwise non first time buyer rates apply		Property purchase price must not exceed £500,000, otherwise non first time buyer rates apply	

Different rates apply in Scotland and Wales
Full details available **here**

Non-First Time Buyers - England and Northern Ireland				
	Completion BEFORE 1st April 2025		Completion FROM 1st April 2025	
Property value	Main home	2nd/ investment property	Main home	2nd/ investment property
First £125,000	0%	5%	0%	5%
£125,001 - £250,000			2%	7%
£250,001 - £925,000	5%	10%	5%	10%
£925,001 - £1.5M	10%	15%	10%	15%
£1.5M+	12%	17%	12%	17%

Different rates apply in Scotland and Wales
Full details available **here**

Housing

Suggested actions

Explore Salary Finance's **house buying guides** on Learn **here**.

If you need a **mortgage broker**, **this directory** can help you find regulated advice.

Use Salary Finance's **Better Off Calculator** to easily check if you're missing out on financial support that could help ease the cost of living.

Try the '**Rent or Buy?**' calculator **here**, to figure out which housing option makes the most sense for you.

Other measures

Boiler replacement grants

Although not announced in the Spring Statement, the budget for the **boiler upgrade scheme** in England and Wales was increased to £295 million for this year. This provides £5,000 to £7,500 towards the cost of replacing a fossil fuel heating system with a heat pump or biomass boiler.

Furnished holiday lettings

From 6th April 2025, the favourable tax treatment of **furnished holiday lettings** (FHLs) will be abolished. Owners of FHLs will lose various benefits, including tax relief on mortgage interest, capital gains tax and allowable expenses.

Infrastructure

The Government is investing a further £13 million into capital infrastructure over the next five years and funding a £625 million construction skills package to train up to 60,000 more skilled workers.

Defence

Defence spending will increase to 2.5% of Gross Domestic Product (GDP) by April 2027.

Tax system

The Government is also investing in modernising and digitising the tax system.

Investment

£3.25 billion of investment has been brought forward to make the running of government and public services more efficient.

Salary Finance

salaryfinance.com

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SF–25–020–MRK