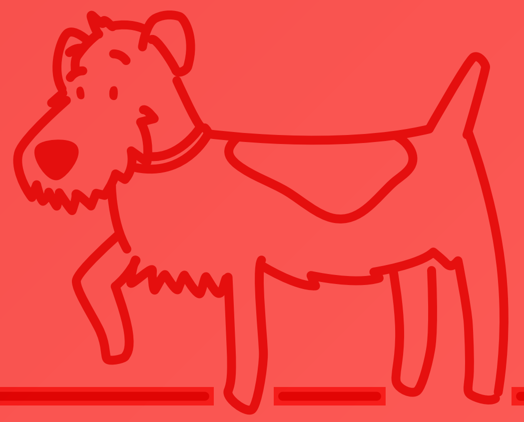
Salary Finance

November 2024

Autumn budget 2024

What does it mean for you?



The autumn budget

The budget can be overwhelming and translating it from politician-speak to practical action isn't straightforward.

We've created this overview of the changes announced in the October 2024 budget, 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.

- EARNINGS
- PENSIONS
- SAVING AND INVESTING
- FINANCIAL SUPPORT AND STATE BENEFITS
- HOUSING
- OTHER MEASURES

Earnings

National Insurance

There was no change to National Insurance (NI) paid by employees but from April 2025 employers will incur higher NI costs.

Income tax

Tax rates for the different bands remain at 20%, 40% and 45% and the personal allowance (which determines how much income is tax-free) and the bands on which the different tax rates are levied, all remain frozen until April 2028. This means more of future pay rises will be taxed.

Increase in minimum wage

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

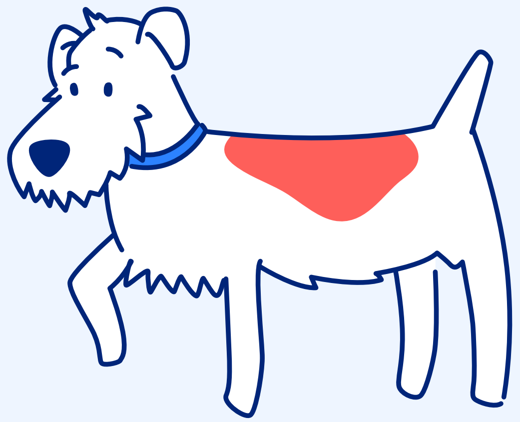
A full-time employee aged 23+ would receive £1,501.76 more per annum and a part time employee aged 18-20 would receive £1,456 more per annum.

Suggested actions

Make sure you know about all the **employee benefits** available to you. There might be discounts and other forms of financial support that could help your money go further, including Salary Finance.

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.

Check out the **Better Off Calculator** to identify if you are missing out on valuable financial support that could help ease the cost of living.



Pensions

There were three changes to pensions

1

With immediate effect UK residents will now be subject to a tax charge if they transfer their UK pension benefits to a pension plan based in a European Economic Area (EEA) country or Gibraltar.

2

The State Pension will increase by 4.1% in 2025-26, in line with earnings growth, meaning over 12 million pensioners will receive up to £470 per year extra.

3

From April 2027 the value of a pension fund paid out on the member's death will be included in their estate for inheritance tax (IHT) purposes. For the vast majority of people this will have no impact as less than 5% of estates pay IHT.

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.

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

Saving and investing

Individual Savings Accounts (ISAs)

ISAs continue to provide unlimited tax-free income and gains and 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 £1-50 per month for up to 4 years and receive a tax-free bonus of 50% of the amount saved.

The HtS scheme has now been extended until April 2027. And from April 2025, the tax-free bonus of 50% on the amount saved will be added to the account every 6 months, and not at two and four years as at present.

Also from April 2025, more people will be eligible to open a Help to Save account, when all Universal Credit claimants who earn from work at least £1 per pay period will be eligible for the account, rather than the previous minimum earnings requirement of £793.17 per pay period.

It is estimated that this will enable around 3 million people to benefit.

Saving and investing

Capital gains tax goes up for investors

The good news is that the amount of gains you can make tax-free from selling assets each tax year remains £3,000 (that means any increase in value, not the amount you receive for the asset).

Typically gains arise when selling things like a second property or shares, so only a minority of people are affected by this tax.

The bad news is that tax levied on asset gains above £3,000 per tax year, called Capital Gains Tax (CGT), will increase immediately by the following:

- Basic rate taxpayers CGT rate will rise from 10% to 18%.
- Higher/additional rate taxpayers CGT rate will rise from 20% to 24%.

Suggested actions

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

There are around 671,000 people aged 18-22 who have an **unclaimed Child Trust Fund** worth in excess of £2,000. Use the government **CTF tracing service** if this applies to you.

If you qualify, think about opening a **Help to Save account**. And if you don't qualify now, check again in April 2025 when the rules change. You can open an account one of two ways.

- If your employer offers Help to Save via Salary Finance, you can open an account **here** and your savings contributions will be taken straight from your pay.
- If your employer doesn't offer Help to Save via Salary Finance then you can open an account via direct debit **here**.

Financial support and state benefits

Working age benefits increased

Around 5.7 million families on Universal Credit will see an average annual increase of £150, as working age benefits will be increased in April 2025 by the September 2024 Consumer Price Index (CPI) inflation rate of 1.7%.

Carer's Allowance

Carer's Allowance is a weekly benefit (currently £81.90 per week) paid to people who provide at least 35 hours a week unpaid care for an eligible person, as long as the carer earns no more than £151 per week after tax, National Insurance and expenses (which can include 50% of personal pension contributions).

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

- The rate paid rises to £83.29 per week.
- The maximum amount the carer can earn from working will be raised to £196 per week (equal to 16 hrs per week at the National Minimum Wage).

Household Support Fund

An additional £1 billion will be allocated to local authorities, Scotland, Wales and Northern Ireland in the 25/26 tax year, to give financial help to low income and financially vulnerable people.

This can be used to pay for food, clothing, heating and in some cases towards rent.

Universal Credit debts

Some Universal Benefit claimants 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.

A new Fair Repayment Rate will cap debt repayments made from Universal Credit income at 15% of the standard allowance.

The government estimates that this will allow 1.2 million households to be better off by £420 a year on average, and around 700,000 of the poorest families with children will benefit as a result of this change.

Financial support and state benefits

Transition from Employment Support Allowance (ESA) to Universal Credit (UC)

Those who currently receive old style ESA were planned to be moved to Universal Credit starting in 2028.

The changeover will be brought forward to start in waves from October 2024 onwards and no claimant will be worse off as a result of the change.

Suggested actions

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

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**.

Housing

Right to buy

Local authorities will be allowed to retain 100% of the receipts from house sales to fund new housing.

Tenants in social housing in England, who wish to exercise their Right to Buy will benefit from a lower discount for purchases agreed from 21st November 2024.

The current maximum discount of 70% of the value of the property based on length of tenancy remains, but the maximum discount of £136,400 in London and £102,400 in the rest of England will change to a lower regionally-based maximum discount summarised in the table here.

Social housing

The government has increased the amount it has allocated to help local authorities and housing associations build more rented housing.

It has also allowed these providers to increase the level of rent they charge, to make new housing projects financially viable.

If rent becomes unaffordable, you might be able to get help from your local council.

Lifetime ISA

The rules for LISAs remain unchanged and can be opened by those aged 18- 40.

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

Renters Rights Act

Although not announced in the budget, 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.

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

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

If you need to find a mortgage broker this directory can help you get **regulated advice on mortgages**.

Use the **Better Off Calculator** to help you easily identify if you are missing out on valuable financial support, which could help ease the cost of living.

Check out the **Right to Buy scheme** if you live in a local authority home and want to buy it. You'll need to agree to the purchase (but not legally complete) before 21st November to benefit from the current higher maximum discount.

Use this **'Rent or Buy?' calculator** to work out what housing option makes sense for you.

Other measures

Free childcare

The previously announced expansion of free childcare for under fives will be given additional funding to ensure availability of provision.

Breakfast clubs

A total of £30 million has been allocated to set-up free breakfast clubs in all schools to improve child wellbeing and give working parents greater childcare support.

School-based nurseries

£15 million has been allocated to begin delivery of 3,000 school-based nurseries. Schools can bid for up to £150,000 to expand existing nurseries or open a new one.

Boiler replacement grants

Increased funding for the boiler upgrade scheme in England and Wales for this year and next. This provides £5,000 to £7,500 towards the cost of replacing a fossil fuel heating system with a heat pump or biomass boiler.

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Important: This is an option, not a recommendation.Your employer does not benefit from offering this service and all your communications will be with Salary Finance. “Learn” content is for guidance and educational purposes only and is generic in nature. Salary Finance does not offer regulated financial advice. Please seek independent financial advice.

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