

The 2024 spring budget: Understanding the headlines

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

Our Head of Financial Education, Jason Butler, has collated this concise overview of the key updates from the March 2024 budget that directly affect you as an employee, alongside previously announced changes set to take effect in the 2024/25 tax year.

Earnings and National Insurance

- Employees will experience an additional 2% reduction in National Insurance contributions from April, following a prior reduction in January.
- On average earnings of £35,400, this translates to a saving of £450 for the tax year 2024/25, or £900 when combined with the previous reduction.
- Analysis indicates that individuals earning between £30,000 and £60,000 annually (50%) will benefit, while those earning below £30,000 (40%) or above £60,000 (10%) may be worse off.

ACTION

If you are likely to benefit from this NI saving, consider potential uses for increased take-home pay such as building savings, higher debt repayments, rejoining the workplace pension scheme if opted out, higher pension contributions, or participation in employer share schemes.

If you earn under £30k, it's particularly important to be aware how this will impact you. You can check how your take-home pay will be impacted by visiting thesalarycalculator.co.uk. Make sure to check out the other sources of financial support mentioned in the other sections of this summary.

Pension Tax Relief

- No new changes were announced regarding pension tax treatment, so salary sacrifice and exemption from National Insurance remain available.
- The annual allowance is now £60,000 per tax year and the Lifetime Allowance remains £1,073,100.
- Employer contributions remain free of National Insurance and can be funded by salary/bonus sacrifice.

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Childcare

- From April 2024, [eligible working parents](#) in England will gain access to 15 hours of free childcare for two-year-olds, extending to nine-month-olds from September 2024.
- From September 2025, all under-fives in England will qualify for 30 hours of free childcare.
- Additionally, the [existing tax-free childcare scheme](#) provides up to £2,000 per year per child in tax relief on childcare costs.

ACTION

Check out the [government childcare](#) support resources to explore what support you are 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.

Financial Support and State Benefits

- Household Support Fund (HSF) is extended until October 2024 with £500M funding.
- The High Income Child Benefit Charge (HICBC) lower and upper thresholds increase to £60,000 and £80,000 respectively, benefiting 485,000 families.
- [Universal Credit](#) (UC) benefits will increase by 6.7% from April 2024.

ACTION

Make sure you [check eligibility for financial aid](#) from the HSF and child benefit schemes.

Housing

- Local Housing Allowance (LHA) increases from April 2024.
- Benefiting 1.6 million low-income households, who will be around £800 a year better off on average in 2024-25.

ACTION

Check [LHA rates](#) and additional local authority housing support.

Other Measures

- Consultation on extending the ISA allowance is ongoing, while a new British Savings Bond will launch in April 2024.
- Ability to invest in more than one provider of each type of ISA from 6th April 2024.
- Debt Relief Orders (DRO) become more accessible from April 2024 in England and Wales, with no application fee and increased debt thresholds.
- Capital Gains Tax (CGT) on property sales and taxation of Furnished Holiday Lets (FHLs) will change from April 2024 and April 2025, respectively.

ACTION

See if you are eligible for government schemes such as [Help To Save](#) and [free debt advice services](#).

Make sure you are aware how these changes impact your financial wellbeing and take appropriate action.