



The spring budget and new tax year

What does it mean for you?

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The spring budget and new tax year

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

Our Head of Financial Education, Jason Butler, has collated this simple overview of the changes announced in the March 2024 budget which are relevant to employees, and a reminder of other changes previously announced, but which come into effect in the 2024/25 tax year.

EARNINGS

CHILDCARE

FINANCIAL SUPPORT AND STATE BENEFITS

HOUSING

OTHER MEASURES

Earnings

National Insurance

Following the 2% reduction in employee National Insurance this January, a further 2% reduction applies from April.

If you are earning an average salary of £35,400 you will pay £450 less in NI in the 2024/25 tax year. This is £900 less when taking into account the previous 2% reduction.

Analysis from the [Institute of Fiscal Studies](#) suggests that, after taking into account the effect of frozen income tax allowances, the overall position in the 2024/25 tax year is that:

- The 50% of people who earn between about £30,000 and £60,000 per annum will be better off overall
- The 40% of people who earn below £30,000 per annum will be worse off overall
- The 10% who earn above £60,000 per annum will be worse off overall

ACTION

If you are likely to benefit from this NI saving, consider how you could use the increase in take home pay to:

- Start or increase cash savings
- Accelerate debt and/or mortgage repayments
- If opted out, to opt back into your workplace pension scheme
- Increase pension contributions
- If applicable, start or increase contributions to your employer's Save As You Earn share scheme.



If you earn under £30k, it's important to make sure you know how this will impact you. You can check how your take-home pay will be impacted by visiting thesalarycalculator.co.uk.

Check out various other sources of financial support mentioned in the other sections of this summary including Universal Credit and Housing Support Fund.

Childcare

As previously announced, from April 2024, eligible working parents of two-year-olds in England will be able to access 15 hours of free childcare. From September 2024 this will be extended to begin from nine months old.

From September 2025 the scheme in England will be extended so that all under fives qualify for 30 hours a week for eligible parents.

This new provision is in addition to the existing tax-free childcare scheme which provides eligible parents up to £2,000 towards childcare costs (including after school and holiday clubs and registered childminders) in the form of tax relief of 25% of childcare costs paid by the parent (up to £8,000 per year per child), i.e. spend £8,000 and the government will refund you £2,000.

If you are receiving Universal Credit anywhere in the UK and aren't receiving tax-free childcare, you can have up to 85% of your childcare costs paid for under 17s, while legacy benefit recipients have different entitlements.

ACTIONS

Check out the government child care support website to help you understand your options.

Check out independent benefits calculators to ensure that you are taking advantage of all state benefits you qualify for.

Check out the benefits of making additional personal pension contributions (or doing salary and/or bonus sacrifice), to bring your taxable income (from all sources) below the £100,000 adjusted net income threshold at which you would otherwise be ineligible for either tax-free or free childcare.



Financial support and state benefits

High Income Child Benefit Charge (HICBC)

The threshold for starting to lose child benefit is now to be triggered when one parent earns £60,000 and all child benefits will be taken away where there's an income of £80,000 (up from £50k and £60k respectively). The government estimates that 170,000 people will no longer pay this tax and that 485,000 families will gain an average of £1,260 in child benefit for 2024-25 as a result.

The government will consult on changing the rules from April 2026 so that income is assessed on a household, rather than an individual income basis, to remove the unfairness of a couple each earning up to £49,999 not incurring the charge compared to a single person earning £50,000 who currently does.

ACTION

Be aware of how to claim child benefit if you were previously affected by the HICBC, noting the potentially negative impact of the three month backdating rule.

Understand the benefits of making additional personal pension contributions (or doing salary and/or bonus sacrifice), to bring your taxable income (from all sources) below the new £60-80,000 income threshold at which you would otherwise incur the HICBC if appropriate.



Financial support and state benefits

Household Support Fund (HSF)

The household support fund is being extended for an additional 6 months to October 2024 with £500M of funding. The HSF is administered by English local councils (devolved counties receive a proportionate amount) for anyone financially vulnerable or those struggling with the cost of living essentials.

ACTION

Check with your local council to see if you are eligible for any financial help from the [Household Support Fund](#).

Universal Credit (UC)

As previously announced, working age benefits, including Universal Credit, will be increased by 6.7% from April. The government estimates that 5.5 million households receiving Universal Credit will gain an average of £470 in 2024-25.

Previously announced reforms to the [Work Capability Assessment](#) will go ahead and is estimated to see a 66% fall over five years in the net number of new Universal Credit claimants who are assessed to have no work requirements as a result of their health.

Budgeting Loans

Universal Credit claimants who take a budgeting advance loan from December 2024 will be able to repay the loan over a maximum period of 24 months, rather than the current maximum of 12 months.

This should reduce financial hardship faced by lower income households, who have taken an advance on their Universal Credit benefits, by lowering loan repayments.

ACTION

Check out the availability of an interest-free [budgeting advance](#) up to the amount of your first expected Universal Credit payment.

If you don't qualify for a Universal Credit advance or the amount available isn't enough to cover your needs other options, including [Salary Finance's salary deducted loans](#), might be available.

Housing

Local Housing Allowance (LHA)

The Local Housing Allowance will be increased from 6th April 2024. The LHA determines the level of means-tested financial support the state provides towards housing costs, and is calculated by reference to market rents. Due to the LHA being frozen for the last three years the benefit has fallen behind the true cost of privately rented housing.

This measure will help ease the financial strain of renting a home for those in receipt of means tested benefits. The government estimates this will benefit 1.6 million low-income households, who will be around £800 a year better off on average in 2024-25.

ACTIONS

Check out the [LHA rates website](#) to find out if you will get more help with your rent from April.

Be aware that there's additional help with private rental costs (for those on means tested benefits in England and Wales) in the form of [Discretionary Housing Payments](#) administered by local authorities.

Check out the availability of [Council Tax Reduction](#) if you are on a low income or in receipt of benefits in England, Wales and Scotland.



Other measures

British Individual Savings Account (ISA)

The government has launched a consultation (which closes in June 2024) on extending the ISA allowance to allow an additional £5,000 to be invested in 'British' investments and companies. Given the fact this measure would benefit a relatively small number of people and a general election is approaching, there's no guarantee this proposal will become a reality.

ISA rules

From 6th April 2024 it will be possible to invest in more than one cash or stocks & shares ISA each tax year, as long as total ISA contributions are within the £20,000 overall ISA limit.

Capital Gains Tax (CGT)

Higher rate taxpayers will pay 24% rather than 28% on taxable capital gains arising from selling residential property from 6th April 2024. It is hoped that this will encourage more property owners to sell property that isn't their own home, and thereby boost the availability of housing.

Furnished Holiday Lets (FHLs)

The taxation of FHLs will be changed to make it the same as properties let on a longer term basis from 6th April 2025. It is hoped that this will slow down or reverse the trend of properties being removed from the private rented sector, and as such, increase the availability of property for longer-term lets.

National Savings British Savings Bond

The government has announced they will be launching, through National Savings and Investments, a new three year fixed-rate [British Savings Bond](#) from April 2024. Individuals can save between £500-£1M.

ACTION

Check out the government's existing [Help To Save](#) scheme, which allows qualifying individuals to save between £1-£50 per month over a 2 to 4 year period, in return for a 50% tax free bonus. You can only open a Help to Save account until April 2025, there's no time to waste!

Better access to Debt Relief Orders (DRO)

From April 2024, people in England and Wales who qualify can apply for a personal insolvency solution - known as a Debt Relief Order - without charge (previously the fee was £90). In addition, the maximum value of debts that can be included in a DRO rises from £30,000 to £50,000. And the maximum value of a motor vehicle that the DRO applicant can retain rises from £2,000 to £4,000.

ACTION

Check out sources of [free debt advice](#) as a debt adviser can then assess whether a DRO is suitable.

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