

Wordshop Benefits Update

December 2021

Pensions, tax & benefits

- In the autumn Budget and Spending Review on 27 October 2021, the Chancellor announced a number of measures, summarised here:
 - Reducing the Universal Credit taper rate from 63p to 55p with effect from 1 December 2021, which means working claimants get to keep more of their benefits (an extra 8p for every pound they earn after tax, NI and pension contributions)
 - Increasing the National Minimum Wage for adults aged 23 and over from £8.91 an hour to £9.50 an hour
 - Introducing a solution to the pensions 'net pay' problem, where people who earn less than the personal allowance but pay into a 'net pay' pension scheme don't benefit from a 20% tax relief 'top-up', but those whose employers use a 'relief at source' pension scheme do. From 2024/25, affected individuals will be eligible to claim a top-up, while a £71m investment has been earmarked for modernising pensions tax-relief administration.
 - A cut in air passenger duty on domestic flights but higher costs for 'ultra long-haul' flights
 - No fuel duty rise this year
 - No alcohol duty rise this year, but in future a simplified system will be introduced so that you'll pay more duty the stronger the alcohol is
 - Around five million public sector workers will get a pay rise as the freeze in pay announced during the pandemic ends
 - Local authorities will be able to increase council tax rates by 3% a year.
- The government has confirmed that State Pensions will be increased in line with the Consumer Price Index (CPI) for the year to September 2021. This means the basic State Pension will increase to £141.85 per week and the full rate of new State Pension will increase to £185.15 from April 2022. The decision was enabled after The Social Security (Up-rating of Benefits) Act 2021, temporarily suspending the earnings element of the Triple Lock for one year, received Royal Assent.

All other benefits will also be increased in line with CPI of 3.1%. This includes working-age benefits, benefits to help with additional needs arising from disability, carers' benefits, pensioner premiums in income-related benefits, Statutory Payments, and Additional State Pension.

- From 1 December, anyone receiving Tax Credits, Child Benefit and Guardian's Allowance through a Post Office card account will see their payments paused until they notify HMRC of their new bank account details. In September 2021, the Department for Work and Pensions (DWP) announced that it had agreed a 12-month extension for its customers who use a Post Office card account. If any HMRC customers also receive DWP payments, this extension only applies to DWP-related payments.
- The EU Settlement Scheme application deadline was 30 June 2021, but eligible individuals who missed that deadline can make a late application (where they have reasonable grounds for doing so) at **www.gov.uk/eusettlementscheme**. Funding to help vulnerable and at-risk EU citizens apply to the EU Settlement Scheme (EUSS) has been extended until at least March 2022. The fund will be made available through the Grant Funded Network of 72 organisations, charities and local authorities across the UK.
- Last month (November) a change was introduced that brings the obligations in new-style JSA and ESA benefits in line with those in Universal Credit, where claimants who do not fulfil their obligations (known as their Claimant Commitment) without good reason will face a sanction – which usually means having their payments reduced for a set period. Sanctions are only applied as a last resort when a claimant is not engaging with the commitment they have made. If someone disagrees with a decision they can ask for it to be looked at again.
- People who receive pension or disability benefits will receive a tax-free Christmas bonus of £10. The payment will be made before 25 December and paid directly to the customers' bank or building society. Letters will be sent out by the DWP to inform people when they will receive their £10 bonus.

- The Warm Home Discount (WHD) is a government scheme that obligates the largest energy suppliers to credit a £140 discount onto the electricity bills of certain low-income households. Recipients of the Guarantee Credit element of Pension Credit will receive a letter by mid-December advising whether the discount will be paid automatically by their energy supplier, or if they need to contact the WHD Helpline (0800 731 0214) by 28 February 2022 to confirm their eligibility. A limited number of WHDs are also available to other low-income households. Non-Pension Credit customers should contact their energy supplier for further information.
- The government has unveiled plans to make online government services via **GOV.UK** available via an app. This means that you won't need to remember multiple usernames and passwords to access services such as free school meals, support for disabled family members and changing driver licence details in the future.
- From 30 November 2021, pension scheme trustees have been given new powers to intervene in pension transfers, where they think the transaction looks suspicious, to protect pension savers from scammers. Trustees will be able to pause or block pension transfers if they deem necessary, by raising a 'red flag'. In addition, they can raise an 'amber flag' if they suspect a potential scam, which will mean the member will have to provide evidence they have taken specific scam guidance from the new MoneyHelper service (www.moneyhelper.org.uk) before they are allowed to transfer. The government has committed to reviewing the new regulations within 18 months to ensure they remain as effective as possible in targeting the evolving methods used by scammers.
- Scotland's first minister has announced that the Scottish child payment will increase to £20 a week from April, benefitting more than 100,000 children under the age of six. The Scottish government is aiming to expand the payment to all under-16s by the end of 2022, with more than 400,000 children and their families eligible.
- New rules will introduce a threshold at which pensions providers will no longer be able to charge a flat fee to savers. This means pension savings invested in the default funds of schemes used for automatic enrolment with a value of £100 or less will be exempt from paying flat fees from April next year. This will help stop the erosion of these small pots by charges – a problem faced by people who regularly take on short-term work and change jobs frequently.

- The Pensions and Lifetime Savings Association (PLSA) has updated its Retirement Living Standards to include more money for eating out, a higher personal grooming budget and a Netflix subscription – its first update since it set up these ‘rules of thumb’ for retirement spending two years ago. Pitched at three different levels – minimum, moderate and comfortable – the Retirement Living Standards are designed to help people picture the lifestyle they want when they retire, and understand the cost. For a single person the minimum target now is £10,900 (an increase of £700), £20,800 (moderate) and £33,600 (comfortable). Find out more at **www.retirementlivingstandards.org.uk**
- The Financial Conduct Authority (FCA) has said that pension savers in self-invested pension plans (Sipps) should not always be trusted to choose their own investments and that brokers should pick where their funds are invested – with a focus on green and ethical investments. More than 125,000 savers open up a Sipp every year, and the FCA is concerned about their ability to choose the right investments. Sipp providers will have to promote their own default strategies and also warn customers holding a lot of cash of the risk of not investing it. New investors will not automatically be signed up to a default fund, but Sipp providers have been ordered to make them a prominent option.

General

- The government has launched a consultation on the introduction of a new streamlined process for families seeking access to small funds belonging to loved ones who lack mental capacity. This would allow withdrawals and payments from cash-based accounts, such as a matured Child Trust Fund (CTF) or a Junior ISA, up to £2,500 – without the need to get permission from the Court of Protection. Currently, if a person lacks mental capacity and as a result cannot manage their finances, a family member or guardian must apply to the Court to manage these funds. This is to protect vulnerable people from fraud or abuse. However, concerns have been raised that this can be a disproportionately costly and lengthy process to access relatively small amounts of money. It follows an announcement last year that families who must apply to the Court of Protection to access a CTF could be eligible for a fee remission, and that a working group would consider further improvements to the process.
- The Commission on Human Medicines (CHM), a government advisory body, has published a report that sets out its recommendations for making life-saving shots of adrenaline available in public places such as restaurants and entertainment venues, which would give people with serious allergies access to treatment, no matter where they are. Adrenaline auto injectors (AAIs) are the first line of treatment for someone experiencing anaphylaxis, a condition that can be unpredictable and fatal. A public consultation will be needed before a decision can be made on the availability of AAIs in public places, along with legislative change.