

Benefits Update

December 2024

Pensions, tax & benefits

- On 30 October, Chancellor of the Exchequer Rachel Reeves delivered the autumn budget, which included the following key points:
 - The National Living Wage, the legal minimum for over-21s, will increase by 6.7% from April 2025 to £12.21 an hour. The minimum wage for 18 to 20-year-olds will also increase, to £10 an hour, with the intention to phase in a single adult rate over time.
 - Capital gains tax will increase, with the lower rate rising from 10% to 18% and the higher rate from 20% to 24%.
 - The freeze on the threshold for inheritance tax has been extended to 2030, and from 2027 pension pots will be brought into the scope of inheritance tax.
 - Employers' National Insurance contributions will increase by 1.2% to 15%, from April 2025. The chancellor also reduced a secondary threshold when contributions are due from £9,100 to £5,000.
 - From April 2028, personal tax thresholds will be uprated in line with inflation.
 - The stamp duty surcharge on second homes will rise from 3% to 5%, with effect from 31 October 2024.
 - Air passenger duty will be increased by no more than £2 for an economy class short-haul flight.
 - The fuel duty freeze has been extended for a year, and the previous government's temporary 5p cut has been maintained.
 - On so-called 'sin taxes', tobacco taxes will rise by 2% above RPI, the tax on hand-rolling tobacco will increase by 10% and a levy will be introduced on vapes, which will increase in line with tobacco.

The chancellor also confirmed that the basic and new State pensions will rise by 4.1% from next April, in line with earnings growth. The full new State pension will increase from £221.20 to £230.25 a week, while the full basic State pension will increase from £169.50 to £176.45 a week.

In addition, the weekly earnings limit for Carer's Allowance will be increased to 16 hours at the National Living Wage, worth an additional £45 a week from April next year.

- HMRC is reminding self-assessment customers to be alert to potential scams and fraudsters ahead of the filing deadline on 31 January 2025. With millions of people due to complete their self-assessment tax return, fraudsters are targeting people with offers of tax refunds or demanding payment of tax to get hold of personal information and banking details. HMRC will never leave voicemails threatening legal action or ask for personal or financial information by text message.
- Vulnerable households will receive support for the cost of essentials this winter, as the Department for Work & Pensions (DWP) has announced an extension to the Household Support Fund for the next six months.
- 1.3m eligible pensioner households will receive up to £300 in Winter Fuel Payments across England and Wales from 25 November. The government is urging pensioners on a low income to apply for Pension Credit before the 21 December deadline. As well as the Winter Fuel Payment, all eligible claimants will receive any backdated Pension Credit arrears where applicable.
- The chancellor plans to introduce legislation next year that will enable 86 separate local government pension schemes in England and Wales to pool their assets into eight 'megafunds', worth an average of £50bn each, by 2030. The chancellor is also planning to consolidate smaller defined contribution schemes across the UK from private businesses into pools of £25bn to £50bn. While the government has not mandated where the pooled retirement money would go, the hope is a large portion would naturally flow into UK businesses and infrastructure projects.
- A new tool to help people claim personal independence payments (PIP) has been launched, as statistics show that nearly £900m worth of the benefit is going unclaimed every year. Launched by anti-poverty charity Turn2us, the 'PIP helper' is designed to simplify the complex application process, which can involve several forms and a medical assessment. You can access the PIP helper by visiting <https://pip.turn2us.org.uk>
- Following a survey of over 2,000 people, Compare the Market has revealed that Britons are delaying their retirement by an average of 3.9 years due to the high cost of living. Further research from Hargreaves Lansdown has found that almost two in 10 people did not know when they would retire, including 16% of those over 55.

General

- The government has introduced a new single bus fare cap of £3 in England, from 1 January 2025. The current £2 cap on single bus fares had been due to come to an end on 31 December 2024.
- The energy price cap rose by 10% on 1 October to £1,717 a year for a typical dual-fuel household paying by direct debit. The price cap lasts three months and is predicted to fall very slightly in January 2025.
- From 7 October 2024, new rules from the Payment Systems Regulator (PSR) give more support to victims of Authorised Push Payment (APP) scams. For consumers, that means significantly greater protections, including cover up to £85,000 as standard, reimbursement within five business days and cover for anyone making a payment via Faster Payments or CHAPS from one UK bank account to another. Anyone who suffers a loss exceeding £85,000 can still raise their case with their payment provider, and if they remain unsatisfied, they can take their case to the Financial Ombudsman Service.
- The House of Lords is set to consider landmark reforms to mental health care. A new mental health bill will give patients enhanced rights to make decisions regarding their own care, ensuring their voice is heard throughout the treatment process. The bill will also address inadequate care of people with a learning disability and autistic people, as well as reducing the number of unnecessary detentions.
- Hooligans who wreak havoc on local communities will face tough restrictions under new powers announced by the Home Secretary on 22 November. The new 'Respect Orders' will give the police and local councils powers to ban persistent offenders from town centres or from drinking in public spots such as high streets and local parks. These will be piloted prior to national rollout.
- A £1.25 per night tourism tax could be introduced in Wales from 2027, it has been announced. Guests at hotels, B&Bs and self-catered accommodation would pay the visitor levy if councils decide to introduce it in their areas. A lower rate of 75p would be charged for hostels and campsites. The levy will be charged per person, per night, and will also apply to children.