Wordshop.

Benefits Update.

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Pensions, tax & benefits

- On 26 November, Chancellor of the Exchequer Rachel Reeves delivered the autumn budget, which included the following key points:

  - From April 2029, only the first £2,000 of employee pension contributions made through salary sacrifice each year will be exempt from National Insurance contributions (NICs). Contributions through salary-sacrifice, like all pension contributions, will still enjoy tax relief (subject to the usual limits). Employees can still pay more than £2,000 into their pensions using salary sacrifice arrangements, but their contributions above this amount will be subject to both employee and employer NICs.
  - The two-child benefit cap will be scrapped from April 2026. At present, the cap means that parents can only claim universal credit or tax credits for their first two children. This cap does not apply to child benefit, which has no limit on the number of children you can claim for.
  - Savers will only be able to put up to £12,000 into cash ISAs tax-free each year from April 2026. This is reduced from £20,000, in the hope of encouraging more Britons to invest their money in stocks and shares ISAs. Over 65s retain the full £20,000 cash ISA allowance.
  - From 6 April 2026, the government will close a loophole that allows people living overseas to make cheaper Class 2 voluntary NI contributions (VNICs) to top up their State pension. They will only be able to make the more expensive Class 3 VNICs and only if they lived in the UK for at least 10 years (up from three at present).
  - From next April, the national living wage will rise by 4.1% to £12.71 an hour for eligible workers aged 21 and over. The national minimum wage rate for 18–20-year-olds will increase by 8.5% to £10.85 an hour. For 16–17-year-olds and those on apprenticeships, the national minimum wage will increase by 6% to £8 an hour.
  - The income tax threshold freeze will be extended for another three years (Scotland has its own rates).
  - The student loan repayment threshold will be maintained for three years.
  - A new mileage tax will be introduced on electric vehicles. Electric car drivers will be subject to a 3p charge for every mile they drive from April 2028. Plug-in hybrid vehicles will be charged 1.5p per mile.
  - Fuel duty will be frozen at 52.95p per litre until September 2026.
  - The cost of prescriptions will be frozen at £9.90 for a second year.
  - Rail fares will be frozen for the first time in 30 years, with passengers not paying any more for season tickets, peak return and off-peak return tickets between major cities.
  - The average energy bill will be cut by £150 from April 2026 by reducing green levies.

  The chancellor also confirmed that pensioners will receive an above-inflation increase on their State pension next year of 4.8%, bringing the new State pension up to £241.30 a week, and the full basic State pension up to £184.90 a week.

  In addition, several benefits, including the Personal Independence Payment and Carer's Allowance, will rise by 3.8% in April 2026.

- The retirement adviser directory operated by MoneyHelper will close in December 2025. In future, MoneyHelper will signpost individuals to other sites, including Unbiased, VouchedFor, the Personal Finance Society and Society of Later Life Advisers.

- The government has announced that it will revisit its decision not to provide compensation to women affected by State pension age changes, following the emergence of previously unseen evidence in ongoing legal proceedings. According to the Secretary for Work and Pensions, the decision to review the matter was made following the discovery of a previously unconsidered 2007 DWP evaluation of automatic pension forecast letters, which was cited in the legal proceedings challenging the government's earlier decision on the issue.

- HMRC repaid more than £48m to people who overpaid tax when they flexibly accessed their pensions in Q3 2025, the latest government pension schemes newsletter has revealed – an average tax refund per saver of around £3,539. The tax repayments on flexible withdrawals were necessary as HMRC applied an emergency 'month one' tax code on the first withdrawal, which can lead to an initial over-taxation. Solutions to address this issue are under way. For more information on claiming overpaid pension tax, visit **www.gov.uk/guidance/claim-back-tax-on-a-flexibly-accessed-pension-overpayment-p55**

- More than a quarter (26%) of UK adults don't know who their current pension provider is, whilst two-thirds (66%) have never even tried to track down their lost pots, research from Standard Life has revealed. Being unsure where to start was the main reason behind this apathy, cited by 31% of people, while nearly a fifth (17%) believe it's not worth the effort, 11% don't have time, and 10% feel it's simply too much hassle. If you think you may have a lost pension, the government has a free pension tracing service that helps reunite people with their lost pensions. You can contact them by telephone on 0800 731 0193, or via **www.gov.uk/find-pension-contact-details**

General

- On 1 December, the savings safety limit for the Financial Services Compensation Scheme will rise from £85,000 per person, per financial institution, to £120,000. This means all UK banks' customers will be protected by up to £120,000 if their provider fails. The lifetime events cover (which offers protection for temporarily high bank balances following major life events) will also rise from £1m for six months to £1.4m.

- The Department for Transport has confirmed that from April next year, people in England will have to wait an additional year to receive their free bus pass. The change aligns with the planned increase in the State pension age from 66 to 67, set to be fully implemented across the UK by 2028 for both men and women.

- The government is set to ban the resale of tickets for live events above their face value. Music and sport fans have long complained about live event tickets being quickly bought up only to be immediately relisted at grossly inflated prices. A government consultation had sought views on a proposed cap of 30% above cost, but ministers are expected to set the resale limit at face value. Service fees charged will also be capped.

- Industry experts have welcomed the government's commitment to make financial education compulsory in primary schools in England, and to encourage payroll savings more widely, as part of its Financial Inclusion Strategy. The strategy also included plans to deliver regulatory clarity to enable employers to offer workplace savings schemes with confidence, which can help employees start and maintain a savings habit.