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Benefits Update.

June 2025

Pensions, tax & benefits

- As part of the government's Pension Schemes Bill, small pension pots built up over years of changing jobs may soon be automatically combined. Since the introduction of auto-enrolment in 2012, the number of pension pots holding £1,000 or less has increased rapidly, growing by one million last year alone. There are now around 13 million of these small pension pots overall, according to government figures.
- Seventeen of the UK's biggest pension funds have struck a deal with the government that it claims will release up to £50bn worth of investments, with at least half earmarked for British assets, including clean energy projects and homegrown startups. Fund managers including Aviva, Legal & General, M&G, Phoenix and the Universities Superannuation Scheme have agreed to sign a new 'Mansion House accord' that will lead to at least 10% of their workplace pension schemes being invested in private market assets by 2030.
- Prime Minister Sir Keir Starmer has indicated that eligibility for the Winter Fuel Payment will be expanded, after the benefit became means-tested last year. The details are expected to be revealed in the October budget, but it is unclear whether the changes will be in effect by the coming winter. Currently, only those aged over 66 in receipt of Pension Credit or other means-tested benefits are eligible for the payment.
- Starting 6 April 2027, most unused pension funds and death benefits will be considered part of an individual's estate for inheritance tax (IHT) purposes. Previously, pensions could often be passed on free of IHT, but the change aims to ensure pensions are used primarily for retirement income, rather than as a means of wealth transfer. The 'nil-rate band' will remain frozen at £325,000 until April 2030 – this means that estates worth up to £325,000 can be passed on tax free. A technical consultation on the implementation process concluded in January 2025, and the government is expected to publish draft legislation later this year.
- Bogus websites are promising compensation payouts worth thousands of pounds to women who had their State pension age delayed by the government. Campaigners from the group Women Against State Pension Inequality (WaspI) have warned that scammers have set up websites that ask for personal details to process payouts for compensation claims. In December 2024, the government confirmed that the 'WaspI' women would not receive compensation. The fake sites are appearing in internet searches for the terms 'WaspI' or 'WaspI compensation', or in links in emails that urge women to sign up.
- In Scotland, Carer Support Payment has replaced Carer's Allowance, and from 6 April 2025 the earnings limit for Carer Support Payment was raised from £151 to £196 a week. This means that a carer can earn £45 more a week, after tax, National Insurance and certain expenses, and still be eligible for the payment. The change could mean carers already receiving Carer Support Payment will be able to undertake more paid work and still receive the payment. In addition, many carers earning a take-home pay of £10,192 or less a year, who were previously unable to access the additional support, could now be eligible. More information can be found here: mygov.scot/carers-support-payment

- You can now download a new HMRC app, making it easier to get information about your tax, National Insurance, tax credits and benefits. To download the app, or find more information on how it works, visit **gov.uk/guidance/download-the-hmrc-app**
- Under new measures, the Local Government Pension Scheme (LGPS) for England and Wales will become the first public service pension scheme – of which three quarters are women – to make all maternity, shared parental and adoption leave automatically pensionable.
- A third (33%) of adults with defined contribution pensions have less than £10,000 saved for retirement, while nearly a fifth (19%) of non-retirees have no private pension at all, research from the Financial Conduct Authority (FCA) has revealed. The research also indicated that many savers are concerned about retirement – 22% of non-retirees said they don't understand their options, while 31% admitted they hadn't thought about how they'd manage financially in retirement.
- Parents of children aged 16 to 19 are being reminded to extend their Child Benefit claim if their child is staying in approved full-time education or training (such as A levels, T levels, NVQs up to level three, Access to Apprenticeship schemes or Scottish Highers). Child Benefit will automatically stop on 31 August on or after a child's 16th birthday if it's not extended. Parents can extend their claim via the HMRC app or online via **gov.uk/child-benefit-16-19**
- Applications are now open for 30 hours of funded childcare in England (an increase from the previous 15 hours funded). As of 12 May, all eligible working parents of children who will be nine months old before 1 September can apply to access up to 30 hours of funded childcare a week. There are three application windows each year, so if your child turns nine months old after 1 September, you can find your application window via **gov.uk/free-childcare-if-working/when-to-apply**

Parents can apply from when their child is 23 weeks old. To qualify, each parent (or the sole parent in a single-parent household) must earn at least the National Minimum Wage for 16 hours a week on average, but less than £100,000 a year. More information on eligibility and how to apply can be found on the government's Education Hub via **educationhub.blog.gov.uk/2025/05/how-to-apply-for-30-hours-free-childcare-and-find-out-if-youre-eligible**

General

- From 1 July 2025, the energy price cap will fall by an average of 7% to £1,720 a year.
- The government has frozen prescription charges for the first time in three years. The charge will remain £9.90 for a single charge. The cost of three-month and annual prescription payment certificates will also be frozen.
- From next year, 'buy now, pay later' firms will need to follow consistent standards so that shoppers will know exactly what they're signing up to, whether they can afford it and how to get help when things go wrong. New rules include affordability checks to stop people racking up unaffordable debt, and faster access to refunds.
- The NHS app has been improved and expanded to offer patients greater access to services. Patients can now book, view and manage both GP and hospital appointments through the app. In addition, the app supports viewing test results, managing prescriptions and accessing full GP health records. It also notifies users about upcoming GP appointments and, where supported, hospital care updates. Further developments are now under way to enable patients to choose their providers and book appointments in a wider variety of settings.
- Parents are set to benefit from lower school uniform costs, as a result of new proposed laws to limit the number of branded (typically more expensive) items schools can require as part of their uniform to three, excluding ties.