Help-to-Save scheme: are your clients missing out?

General Features **Personal tax**

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The Help-to-Save scheme was launched in September 2018 and enables individuals who receive tax credits or universal credit, subject to certain conditions, to earn a tax-free bonus of up to 50% of amounts saved. The account, which is delivered by NS&I and HMRC, has been introduced by the government in order to help those on low incomes build up their short-term savings and to encourage them to form a regular savings habit.

LITRG has been a member of HMRC's Help-to-Save Stakeholder Forum throughout the pilot phase and the launch of the account, helping to ensure that it best meets the government's aims. However, since the launch of the account over a year ago, take up among those eligible has been disappointing, with the latest statistics (published in August 2019) showing that only 132,000 accounts have been opened compared with some 3.5 million people the government claims could benefit.

It is clear that encouraging individuals on low incomes to start a savings habit was always going to be a challenge as it relies on people having some disposable income. Many of the people who contact LITRG already have debt problems and are unlikely to have much, if any, disposable income. Although the maximum that can be saved is £50 per month, it is possible to save as little as £1 at a time, and deposits can be made at any frequency to suit the individual.

However, lack of awareness has been identified as another key reason for the poor take up. Tax advisers potentially have a role to play here, if they have any clients who might be eligible or otherwise know anyone for whom the account would be suitable, just as they might mention the tax efficiency of other investments such as individual savings accounts. The Help-to-Save account's tax-free bonus of up to 50p per pound saved is extremely generous, so your clients might be grateful to you for highlighting its existence.

Given that tax credits and universal credit are both non-taxable benefits, it may not always be clear whether your clients are in receipt of them as you will not need details of such benefit claims in order to file a self-assessment tax return. However, depending on the individual's circumstances, your clients may be receiving either tax credits or universal credit despite being on a relatively high income.

Be aware also that if a claimant meets the conditions as part of a couple, then each member of that couple can apply for their own Help-to-Save account. Thus, if your client is eligible, so would be their partner.

LITRG has published detailed guidance on how the scheme operates, including eligibility criteria.

You and your clients can also get a quick overview of the scheme by watching our video.

Of course, tax advisers must always be wary of the boundary between tax advice and regulated investment business. Members should be familiar with the CIOT's Professional Rules and Practice Guidelines, which provide more information on this subject