Help to Save: consultation on implementation

Management of taxes Personal tax

01 September 2016

LITRG and the ATT have responded to a government consultation on how to implement Help to Save. This scheme is intended to help eligible claimants of working tax credit or universal credit start to save, by offering a 50% government bonus on savings of up to £50 a month over four years.

Announced in early 2016, the Help to Save scheme will be available by April 2018 and open to ‘individuals… in receipt of universal credit with minimum household earnings equivalent to 16 hours at the national living wage or in receipt of working tax credits’. Unfortunately, the consultation on implementation simply says that eligibility criteria are ‘not subject to consultation’ yet it does nothing to expand on this simple statement of eligibility.

LITRG’s response to the consultation points out that there are many detailed issues to be resolved on these apparently straightforward criteria. We are not told, for example, what happens in the case of joint claims to working tax credit (WTC) or universal credit (UC). Will both members of a couple be able to open an account, or just one of them? And what does ‘in receipt of’ either type of support mean? For instance, for WTC, if both members of a couple are in qualifying remunerative work they can choose on the claim form who should receive payment. If the couple do not choose, HMRC will decide who the most appropriate person is. And the couple can elect to change to whom the payment is made.

This, and various other issues, such as the childcare element of WTC (usually paid to the main carer of the children, along with child tax credit), mean that the law covering entitlement to open a Help to Save account will need careful consideration. LITRG’s response therefore recommended that the government consult early on both primary legislation and regulations required to implement it.

LITRG and ATT both noted that there was no mention of the tax status of the scheme, and recommended that any return on Help to Save accounts should be exempted from income tax. One easy way to do this might be to align Help to Save with individual savings accounts and use much of the same legislation. As well as avoiding introducing a whole new set of rules, this could help to overcome issues such as what happens to the accounts on death – another point that is absent in the consultation.

Given the target audience of Help to Save, those eligible are unlikely to have much, if any, surplus income. There is therefore bound to be a tension, if not a clash, between Help to Save and automatic enrolment. This raises the question of how to communicate the pros and cons of each to potential savers – a leaflet or website guidance is unlikely to be enough to help them decide. LITRG therefore suggested that the new public financial guidance bodies assist, for example, by offering individual sessions as they do for Pension Wise.

LITRG also raised concern that there was a risk that Help to Save might encourage people to opt out from workplace pensions in favour of short-term saving, and suggested the government monitored that closely.

The consultation put forward five principles, namely simple-to-use, cost-effectiveness, targeted, accessible and timely. The government will use these to measure the suitability of the options for implementation. The two put forward are for the accounts to be offered by a range of multiple providers or by just one sole provider, such as NS&I.

The ATT responded that it believed NS&I was best placed to meet all of the principles, particularly in terms of simplicity, cost-effectiveness and timeliness since it should already have all the infrastructure to provide the Help to Save accounts by the proposed rollout date. However, the ATT did also say that a simple form of market research should be carried out among the target account holders to ensure that the design under any single provider would meet their needs.

LITRG's full response can be read on the LITRG website.

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