Budget 2024: what are the key points for employers to note?

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Increase to the national minimum wage rates

From 1 April 2025, the national minimum wage rates will increase as follows:

- the National Living Wage rate, payable to those aged 21 and over, will rise from £11.44 per hour to £12.21 per hour, representing a 6.7% increase;
- the 18 to 21 year old rate will rise from £8.60 per hour to £10.00 per hour, representing a 16.3% increase; and
- the 16 to 17 year old and Apprentice rates will both rise from £6.40 per hour to £7.55 per hour, representing an 18% increase.

This change implements the Government's manifesto commitment to increase national minimum wage rates in line with the cost of living and begin a move towards a single adult rate. The plan is for the 18 to 21 year old rate to grow incrementally until it equals the National Living Wage rate (hence the scale of the increase to the 18 to 21 year old rate).

National Insurance Contributions (NICs) for employers

From 6 April 2025, the rate of employers' NICs will rise from 13.8% to 15% (for both class 1A and class 1B NICs). Further, the secondary threshold at which employers' NICs becomes payable will drop from £9,100 to £5,000. To help combat the increase in employers' NICs, the Chancellor announced a corresponding increase to the credit that employers receive against their NICs bill. The Employment Allowance will increase from £5,000 to £10,500 and the eligibility restriction which limits it to businesses with NICs liabilities above £100,000 will also be removed. It is estimated that this change will exempt 865,000 small businesses from paying employers' NICs altogether.

Whilst these changes will raise an estimated £25 billion in revenue for the Government, they will increase payroll costs for the vast majority of employers which, in turn, may impact pay and hiring decisions. Indeed, the Chancellor said she recognised that the measures would have consequences and that "...it is likely to mean that wage increases might be slightly less than they otherwise would have been". Employers may wish to introduce or expand arrangements under which employees sacrifice a portion of salary before it is paid to them in exchange for an enhanced employer pension contribution. Such arrangements reduce the amount of income tax and employee and employer NICs payable. However, such arrangements must not reduce an employee's earnings below the applicable national minimum wage rate.

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