

The New Health & Social Care Levy

The Prime Minister announced last week the launch of a new health and social care levy. From April 2022 all taxpayers will face a 1.25% tax charge to accommodate it. The money raised will be used to help fix the long-term problems in health and social care, which have also been exacerbated by the pandemic. Initially the levy will begin as a 1.25 percentage point rise in National Insurance - and from April 2023 it will be classed as a separate tax - appearing on employee's payslips and calculated the same way as NI.

For example, an employee earning £20,000 per year would pay an additional £130 for the levy and an employee earning £50,000 per year would pay an additional £505 contribution.

From April 2023 the levy will also apply to individuals above State Pension age with employment income or profits from self-employment above £9,568.

The new tax is expected to raise £12bn per year and will go directly to health and social care throughout the UK, with the majority being used to tackle the backlog in the NHS created by Covid. £5.4bn of the money will also go towards changes to the social care system over the next three years.

Dividend tax rise

Dividend tax is also set to rise from April 2022 by 1.25 percentage points. This will be legislated in the next Finance Bill.

Care cost cap

The government has also announced wide-ranging changes to the costs paid for residential care. From October 2023, the care cost cap will mean that no one starting care after that date will have to pay more than £86,000 over their lifetime towards their care costs (not including food and accommodation). After this cap has been reached, ongoing costs will be paid for by local authorities. At present anyone with assets above £23,250 must pay for their care in full.



The savings limit will also be increased from the current £14,000 to £20,000, so anyone with assets of less than £20,000 will not have to contribute to care costs. Anyone with assets between £20,000 and £100,000 will be means tested, and those with assets above £100,000 will have to pay in full.

There is expected to be a white paper released later this year which will set out the plans in more detail.

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