

Briefing document

Health and Social Care Levy

Introduction

The Prime Minister announced on 7 September 2021 new tax raising measures which will take effect from 6 April 2022 as part of the government's plan to pay for health and social care. These measures are collectively referred to as the Health and Social Care Levy. The changes are expected to raise approximately £12 billion per annum, which will be ringfenced to fund investment in health and social care. The changes will affect employees, employers, the self-employed and individuals receiving dividends. The government's [policy document](#) is silent on the taxation of trustees, but it is possible that they may also be affected by changes in dividend taxation.

Tax measures

The new tax measures will initially consist of two elements: an increase in national insurance contributions (which will be replaced by an entirely new levy) and an increase in the income tax rates that apply to dividends.

National insurance contributions (NIC)

From 6 April 2022 there will be a 1.25% increase in the rates of Class 1 NIC for employees and employers and Class 4 NIC for the self-employed. From 6 April 2023 the rates will return to their current levels but there will be a new standalone 1.25% Health and Social Care Levy on the earnings and/or profits that are subject to NIC.

Workers who are over the state pension age, who are not currently liable to NIC, will be subject to the 1.25% levy from 6 April 2023 to the extent that their earnings exceed the primary threshold (currently £9,568 per annum). Self-employed individuals with profits exceeding the lower profits limit of £9,568 are similarly affected.

The rates are summarised as follows (earnings and profits thresholds are based on the 2021/22 amounts, which may change in future years):

	Employee (Main/higher rate)		Employer	Self-employed (Main/higher rate)	
	<i>Earnings between £9,568 and £50,270</i>	<i>Earnings above £50,270</i>	<i>Earnings above £8,840</i>	<i>Profits between £9,568 and £50,270</i>	<i>Profits above £50,270</i>
2021/22 NIC rates	12%	2%	13.8%	9%	2%
2022/23 NIC rates	13.25%	3.25%	15.05%	10.25%	3.25%
2023/24 NIC rates	12%	2%	13.8%	9%	2%
2023/24 Levy	1.25%	1.25%	1.25%	1.25%	1.25%

Income tax on dividends

Dividends are not subject to NIC and will not be subject to the new levy. They will instead be subject to increased income tax rates. With the exception of the £2,000 nil rate band, all dividend income tax rates for individuals will increase by 1.25%.

As noted above, the policy document is silent on the rates that apply to trustees, but we would expect these to increase in line with individuals' rates. Where other tax rates are directly linked to those applying to the individual dividend tax rates (e.g. the 32.5% rate that applies to loans to participators of close companies), we would expect these to increase automatically.

The dividend income tax rates for individuals are summarised as follows:

	Nil-rate (first £2,000)	Ordinary rate	Upper rate	Additional Rate
2021/22 dividend rates	0%	7.50%	32.50%	38.10%
2022/23 dividend rates	0%	8.75%	33.75%	39.35%

Find out more...

This note reflects the law in force as at 8 September 2021 together with the government's policy announcements set out in [Build Back Better: Our Plan for Health and Social Care](#). Please be aware that it does not cover all aspects of this subject. To find out more about any aspect of the above, please discuss with your usual Deloitte contact. If you do not have a usual contact, please contact [Rachel McEleney](#).

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