



September 2021

Dear Constituent,

Thank you for contacting me about the Health and Social Care Levy.

I have spoken with colleagues at the Treasury about the introduction of a Health and Social Care Levy (HSCL) and I understand that they viewed this measure as a difficult but necessary one. The decision to raise taxes was not taken lightly, but it will mean that we can face the challenges facing health and social care in the UK following the coronavirus pandemic. When we have spent over £400bn in trying to protect the country from the Covid pandemic and all of its effects, it is obvious that borrowing even more to instigate a plan in an area of policy that has been avoided by successive Governments would not be in the long-term interests of the country.

The HSCL will be effectively introduced from April 2022 when NICs for working age employees, self-employed, and employers will increase by 1.25%. The Levy will be legislatively separated from 2023 when NICs rates will return to 2021-22 levels. Dividend tax rates will also be increased by 1.25% to fund the Plan for Health and Social Care.

It is worth noting that there are some exemptions to the Levy, which is applied at a flat rate of 1.25%. People earning less than the Primary Threshold / Lower Profits Limit in 2021-22 will not pay the Levy, and the Levy will not apply to Class 2 or 3 NICs. This means that the highest 14% of earners will be paying around half the revenues of the Levy, and that no-one earning less than £9,568 will pay a penny.

Unlike Income Tax or VAT, an increase in NICs ensures businesses contribute alongside employees and the self-employed.

The HSCL will apply to individuals working above State Pension age from April 2023. I appreciate that this will be frustrating for many. I have conveyed the strength of feeling about this to colleagues at the Treasury, who assure me that this small contribution is a necessary and extraordinary one to tackle the pressures on our health and social care system following the pandemic.

Colleagues at the Treasury assure me that they viewed a broad-based tax base like Income Tax, VAT or NICs as the only viable means to raise the sums needed for such a significant investment in health and social care. The decision to base the Levy on NICs was made with the view that every individual should contribute according to their means, and that the cost of improving the health and social care systems should be shared between individuals and businesses. Successive governments have increased NICs to invest in the NHS, and the NICs system was set up to fund social security. The existing NICs ringfence for the NHS, established in 1948 and expanded in 2003, means that funds for health and social care will be clearly displayed on payslips. It is worth noting that France, Germany and Japan have all increased social security contributions to fund social care provision – the latter two with specific social care levies.



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Thank you again for taking the time to contact me.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Chris'.

CHRIS HEATON-HARRIS MP
MEMBER OF PARLIAMENT FOR DAVENTRY