



DAP LIMITED

National Insurance Briefing

HEALTH AND SOCIAL CARE LEVY

On the 7th of September 2021, the government announced a new 1.25% Health and Social Care Levy. The objective of the levy is to fund investment in the NHS, health and social care. This new plan for health and social care will lead to a permanent increase in spending.

In 2020 and 2021, government borrowing was at an all-time high, due to the COVID-19 pandemic. Because of this, it has been decided that increased taxation would be the most responsible way to fund these investments in health and social care.

The scheme is set to come into effect on 6th April 2022 and will mean that employees' National Insurance contributions will increase. As an employer, if you pay Class 1, Class 1A or Class 1B National Insurance contributions, you'll need to start paying the 1.25% increase in contributions from 6th April 2022. These changes will not affect employees who are above State Pension age and are not an employee or self-employed.

From April 2023, NICs rates will return to 2021-22 levels and the 1.25% levy will become a separate new tax. You will need to pay the separate 1.25% levy, and this will also apply to the earnings of individuals who are working and are above State Pension age.

A similar increase will be paid by the self employed and will also be added to tax on dividends.

If as an employer you qualify for Employment Allowance (total NI contributions under £100,000 in the last tax year) then the £4,000 current allowance can be used to offset the increase.

A summary of the rates, based upon the 2022/23 thresholds, is as follows:

	Employee (Main/higher rate)		Employer
	<i>Earnings between £9,880 and £50,270</i>	<i>Earnings above £50,270</i>	<i>Earnings above £9,100</i>
2021/22 NIC rates	12%	2%	13.8%
2022/23 NIC rates	13.25%	3.25%	15.05%
2023/24 NIC rates	12%	2%	13.8%
2023/24 Levy	1.25%	1.25%	1.25%