TAXCARE ACCOUNTANCY

Chartered Certified Accountants
Business & Tax Advisors

WEEK 34 2021

NEWSLETTER

HELP YOUR BUSINESS START-UP

15 YEARS OF EXPERIENCES

quickbooks Advanced Certified ProAdvisor Online

ACCA Member Firm

ICPA

EVERYTHING YOU SHOULD KNOW ABOUT THE HEALTH AND SOCIAL CARE LEVY

The government has announced a temporary NIC increase of 1.25% for employees, employers, and the self-employed from April 2022 until April 2023.

Continue reading at page 2

Tax Advice That Helps Your Business Grow

© Copyright Taxcare Accountancy Ltd 2021.

ACCA Member Firm

Policy paper

Health and Social Care Levy

Published 9 September 2021

HM Revenue & Customs

THE HEALTH AND SOCIAL CARE LEVY

Revenue raised from the levy will be funnelled into supporting the NHS and equivalent bodies across the UK.

Following the COVID-19 pandemic, the Prime Minister has announced the £12bn tax rise to tackle the NHS backlog and pay for reforms to the care sector. The move will bring the UK's tax burden to its highest ever level, a peacetime record at 42.4% of national income. From April 2023, it will become a separate tax on earned income, calculated in the same way as National Insurance and appearing separately on payslips.

This will be paid by all working adults, including those over the State Pension age. The government has confirmed it will be "legally ring-fenced" to go only towards health and social care costs.

HOW WILL THE NEW HSC LEVY WORK FOR EMPLOYERS AND EMPLOYEES?

The new levy will apply to Class 1 (employee and employer), Class 1A and 1B, and Class 4 (self-employed) NICs but will continue to benefit from existing NIC reliefs.

It should apply to internationally mobile individuals only where they have a NIC liability. Individuals exempt from NIC (e.g. who hold a Certificate of Coverage or A1) should therefore be outside its scope.

The proposed measures may renew focus on salary sacrifice as a means of cost-efficient remuneration. Many employers already offer pension contributions, bikes for work, and childcare on this basis. For those who have yet to do so, the incoming proposals may provide a reason to revisit employee benefits offers.

To find this money, employers may end up absorbing the additional cost through higher consumer prices, diminished profit margins, squeezing shareholders, or reduced earnings for workers.

Become our client and remain stress free on your accounting and tax issues.

ACCA
Member Firm

WHAT'S THE IMPACT ON INDIVIDUALS AND HOUSEHOLDS?

The measure is anticipated to have a significant macroeconomic impact with consequences for earnings, inflation, and company profits.

The levy will be paid by employed and self-employed individuals earning above the Primary Threshold and Lower Profits Limit (£9,568 in 21-22 tax year). An individual earning the media basic rate taxpayer's income (£24,100) would be expected to pay an additional £180. An individual earning the media higher rate taxpayer's income (£67,100) would be expected to pay an additional £715.

The government has acknowledged that those who are currently just about managing financially will see their disposable income reduce.

HOW WILL HEALTH AND SOCIAL CARE FUNDING CHANGE?

As of October 2023, the new funding will mean a cap of £86,000 on the amount that anyone in England will have to spend on care costs in their lifetime.

People with assets of below £20,000 will not have to use their savings or extract money from the value of their homes to fund their care.

Where the value of your assets is in the £20,000-£100,000 range, you will receive some means-tested support towards care home costs. A change from the previous policy that assets greater than £23,250 meant you would need to pay your care costs in full.

FIND OUT MORE

Here at Taxcare Accountancy, our professional team can help you with the Health and Social Care Levy. With incredible customer support, we're the experts to place your trust in.

TAXCARE ACCOUNTANCY

Chartered Certified Accountants
Business & Tax Advisors

Find Out More
www.taxcareaccountancy.co.uk

103 Cranbrook Road, Ilford, Essex, IG1 4PU
020 8478 3383 078 6022 4506 info@taxcareaccountancy.co.uk

ACCA
Member Firm

© Copyright Taxcare Accountancy Ltd 2021.