



HM Government

Building Back Better: Our Plan for Health and Social Care

Presented to Parliament
by the Prime Minister
by Command of Her Majesty

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Foreword



Prime Minister Rt Hon Boris Johnson, MP

The COVID-19 pandemic has been an unprecedented challenge. The worst public health emergency for a century has had a profound impact on the NHS. Staff have treated more than half a million COVID-19 patients over the last 18 months in hospital alone – providing outstanding care for those suffering new, complex and sometimes severely debilitating conditions.

The pandemic has illuminated chronic problems in our health and social care system, and made many of them worse. For instance, when COVID-19 broke out, there were thousands of hospital beds filled with people that could have been better cared for elsewhere.

These problems are making it much harder to manage the pressures that have inevitably built up elsewhere in the system as a result of the pandemic. The need to treat COVID-19 patients has contributed to worsening wait times for non-COVID-19 care. Before the pandemic, nine out of ten were waiting fewer than 25 weeks in England, but that has now risen to 44 weeks. The number of NHS patients waiting for tests, surgery and routine treatment in England is at a record high of 5.5 million and could potentially reach 13 million over the next few years. Health services in other parts of the UK have faced similar challenges.

Around seven million patients in England did not come forward for treatment during the pandemic – and it is right that they should now be seen and given the treatment that they need. So while hard-working NHS staff are doing their best, it has been estimated that it may take the NHS up to a decade to clear treatment backlogs without concerted action.

We must also address the challenges in adult social care. The pandemic has placed significant pressure on the sector. But even before the pandemic there were problems in the sector. People in England were required to pay for all of their care needs in full, right down to £23,250, at which point the state would start to provide some support. At an already difficult time in their lives, people suffering medical conditions such as dementia faced losing their life savings. Successive governments have pledged to reform the system but none have brought about long-term change.

So we must take the same far-sighted approach as the Government that established the NHS and the modern welfare state after the Second World War. We must pursue the equivalent project of our era, supporting the NHS, reforming adult social care and creating a new integrated system between health and social care focussed on improving outcomes for our people. And that is what this Government will do.

We will provide significant new investment – reducing long waits for the tests and treatment that people need.

We will bring the health and the social care systems more closely together – so that people are cared for in the most appropriate place for their needs, whether at hospital, in care or at home.

We will protect individuals and families against unpredictable and potentially catastrophic care costs – so that from October 2023, no eligible person starting adult social care will have to pay more than £86,000 for personal care over their lifetime.

We will recognise the extraordinary contribution that health and social care staff made in helping the country through the pandemic – in part by making sure that they have the support that they need.

This is an unprecedented investment in health and social care. It is one that we should all accept some personal responsibility for providing. Both for our own futures and to care for our loved ones. To do otherwise and rely solely on the state to step in through yet more borrowing would be to fray the bonds that hold families and society together.

So it is right that we should introduce a Health and Social Care Levy to benefit the whole of the UK, with new funding to support health and social care services in England, Scotland, Wales and Northern Ireland.

No government wants to raise taxes, but nor should they neglect their duty of care to their citizens. So we must act to build a health and care system which reflects the brilliance of the staff working within it.

The NHS is a source of enormous pride for the nation. We will ensure that it continues to be.

Rt Hon Boris Johnson, MP
Prime Minister

Introduction

1. This Government is committed to the delivery of world leading health and social care across the whole of the UK. The response of the nation's public services to the COVID-19 pandemic is a source of extraordinary pride. This was recognised by the award of the George Cross to the UK's national health services.
2. The NHS has led the response to COVID-19 and continues to drive our vaccine rollout. To protect staff and patients, and combat the risk of infection, hospital wards and waiting rooms were reconfigured to reduce transmission of the virus, and the Government provided billions of Personal Protective Equipment (PPE) items. The Government also rapidly expanded hospital bed capacity to treat COVID-19 patients and, together with the devolved administrations, swiftly established ten Nightingale hospitals across the UK. We have also worked with the devolved administrations to deliver the National Testing Programme, with UK-wide daily testing capacity currently standing at more than 600,000 PCR tests per day, supported by seven Lighthouse laboratories across the UK. This programme has provided over 166 million tests to date for UK citizens across 1100 test sites. We have also led the world with our vaccine programme – from AstraZeneca's initial design, to public volunteers for vaccine trials, to manufacturing in England and bottling in Wales. This incredible effort meant that the UK was one of the first countries in the world to start vaccinating our citizens and, working closely with the devolved administrations, we have now vaccinated more than 48 million people right across the UK.
3. The pressure from the COVID-19 pandemic caused significant disruption to the provision of health and social care in England, Scotland, Wales and Northern Ireland. The immense efforts of those on the front line to respond to the pandemic and roll out the vaccine programme inevitably reduced the capacity to respond to non-COVID-19 related care. For instance, 5.5 million people in England are now waiting for non-emergency treatment, at least 900,000 more than before the pandemic, and average NHS waiting times are over ten weeks, up around 40 per cent since before the pandemic.
4. The impact of the pandemic has also increased pressure on wider NHS funding. Much of that increase was temporary, but underlying pressures are expected to build as a result of demographic changes, the long-term impact of COVID-19, rising care costs and NHS backlogs. The ONS estimate that UK Government spending on health increased by around 25 per cent in 2020, by far the biggest year-on-year increase since the ONS series began in 1997¹. The NHS must be put on a more sustainable footing so that it can rise to the challenges of the 21st century.
5. Social care is an integral part of our society and economy. Adult social care covers social work, personal care and practical support for younger and older adults over 18 with a physical disability, learning disability, physical or mental illness. It also includes safeguarding for those at risk of harm and abuse, drug or alcohol dependency, as well

¹ ONS, 2021. Available at: <[Healthcare expenditure, UK Health Accounts provisional estimates: 2020](#)>

as support for unpaid carers. Around 950,000 adults in England receive some form of long-term social care support, which is focused on enabling a sustained and independent quality of life.

6. We all share a commitment to ensure that adults that need extra care are well looked after. But it is widely recognised that the social care system could be working better both for people using it and for those caring for others. Successive governments have pledged reform, but none have delivered. Far too many people face unpredictable costs for their care, while the quality of the care received can be inconsistent, despite the best efforts of our dedicated workforce. This Government is committed to reforming the adult social care system in England in order to meet the increasingly complex needs of an ageing population, as well as those of younger adults who need support.
7. These health and social care challenges are interrelated. An important element in an improved system will be better integration between health and social care, so that care becomes less fragmented and people are cared for in the right place for their needs. People with health and care needs should not have to shoulder the burden of coordinating the services they use and we must reduce the number of people in hospital that would be better cared for at home or in specialised care. Better integration will also mean a more holistic approach to the delivery of care that brings together national and local systems. Further, it will demand a continued focus on preventative care, so that fewer people require hospital care and those preparing for major treatment get support at the right time.
8. The scale of the challenge we now face requires a new approach. This Government will therefore make available around an additional £12 billion per year for health and social care on average over the next three years. This is a significant and permanent increase in public spending and it would be irresponsible for it not to be fully funded, especially at a time when borrowing and debt have reached record levels.
9. The Government has therefore taken the difficult but responsible decision to raise taxes. To do so in the fairest way possible, this will be funded by a new, UK-wide 1.25 per cent Health and Social Care Levy (the Levy), ringfenced for health and social care. This will be based on National Insurance contributions (NICs) and from 2023 will be legislatively separate, and will also apply to individuals working above State Pension age. The Government will also increase dividend tax rates by 1.25 per cent, revenue from which will help to fund this package. Given taxpayers are being asked to contribute more, the Government will ensure this money is well spent and goes to frontline care in England, increasing efficiencies and using reforms to drive up productivity. A Union dividend means that Scotland, Wales and Northern Ireland will benefit by around 15 per cent more than is generated from their residents, equivalent to around £300 million every year on average.
10. While this new funding package is to support the health and social care system across the whole of the UK, our plan for health and adult social care identifies specific measures for England. It also sets out areas where we want to work with the Scottish Government,

Welsh Government and Northern Ireland Executive to support people from all over the UK to live more independent, healthier lives for longer.

11. Further details of this package are set out in the following chapters in our new plan for healthcare, our new plan for adult social care in England and our new funding plan.

Our plan for healthcare

12. The pandemic exerted unprecedented pressure on the NHS with a surge in demand for acute treatment right across the UK. Responding to this demand required a scale of national effort not previously seen during peacetime. The extraordinary efforts of doctors, nurses and support staff ensured that the NHS withstood the challenge of the pandemic, treating and caring for millions of people. Since March 2020 over 500,000 people have been admitted to hospital with COVID-19 in the UK. At the peak of the crisis in January 2021, over 39,000 people with COVID-19 were being treated in hospital.
13. The Government has already announced a three per cent pay rise for over 1.1 million NHS workers in England for this year, recognising their exceptional contribution throughout the pandemic. NHS staff including nurses, paramedics, consultants and dentists in England will receive a three per cent pay rise after the Government accepted the recommendations of the independent NHS Pay Review Body (NHSPRB) and the Review Body on Doctors' and Dentists' Remuneration (DDRB). For a nurse on average pay, this will mean an additional £1,000 a year, while many porters and cleaners will receive around £540.
14. Taking steps to ensure that the NHS was prepared to treat large volumes of COVID-19 patients, while also reconfiguring hospitals to reduce the risk of infection, was critical in the fight against the virus. Together with the action taken by people to reduce transmission, these steps saved lives and meant that even at the height of the pandemic, the NHS was equal to the challenge.
15. NHS England and Improvement, NHS Scotland, NHS Wales, and Health and Social Care (HSC) in Northern Ireland all performed a vital function in vaccinating the country. The Government will continue to support the NHS to roll out the vaccination programme and maintain and support the response to the pandemic. This will mean the country is ready to rapidly respond to any new wave of this deadly virus or future pandemic.
16. This shift in focus to respond to the pandemic has had a significant impact on delivery of other forms of treatment. As a result of the measures needed to control infection, the number of NHS beds available for patients in England fell by over nine per cent at the start of the pandemic. Despite this huge pressure, the NHS continued to protect and prioritise urgent treatment, such as surgery for cancer and other life-saving operations. But the demands of the pandemic meant a temporary pause of important, less urgent treatment, and people postponed seeing their doctor unless they had to, in order to help protect the NHS. This demand is now returning and the queues for treatment are getting longer.
17. In particular, there is now a very significant backlog in elective care, where patients need non-emergency tests or treatment.
 - a. In England, 5.5 million people are currently waiting for treatment, at least 900,000 more than before the pandemic. They are waiting for interventions ranging from tests or scans to support diagnosis through to non-emergency surgery. More than 300,000 people have now been waiting for over a year for such care, and while

average waiting times are nearly half what they were at their peak in July 2020 at around ten weeks, they are still around 40 per cent longer than before the pandemic.

- b. In Scotland, the waiting list for inpatient treatment has increased from 79,000 to 97,000 since the start of the pandemic. 23,000 people have now been waiting over a year.
- c. In Wales, the waiting list for such treatment has grown to 625,000, up from 462,000 before the pandemic. More than 200,000 people have been waiting over 36 weeks.
- d. In Northern Ireland, the waiting list for inpatient treatment has also increased from 93,000 to 113,000. Around 66,000 people have been waiting over a year.

18. Thanks to the tireless efforts of NHS staff there has already been significant progress in tackling these backlogs. For example, in England, the number of those admitted to hospital for elective treatment is now increasing; in June, patients waiting longer than 18 weeks for elective care dropped by more than 20,000; and those waiting more than a year for care fell by 30,000 for the third month in a row. But the impact of the pandemic has been profound and will continue to be felt as the NHS manages the ongoing effects of COVID-19. Addressing these backlogs will take longer than the next few weeks or months.

19. The 'Help Us, Help You' campaign in England is encouraging patients to come forward and access vital health services if they are worried that something is wrong, particularly if they have symptoms that suggest they might have more serious conditions such as cancer. As the vaccine programme advances and as patients return, including the seven million people who would usually have been expected to seek help but did not during the pandemic, the Government expects that waiting lists will grow further.

20. The impact of COVID-19 has increased pressure right across the NHS, not just on elective care. The steps people took to protect each other from the pandemic contributed to a drop in demand for A&E of over 30 per cent in 2020-21, with ten per cent fewer general practice (GP) appointments in the first 12 months of the pandemic than in previous years, and a marked reduction in dental treatment. The pandemic also affected mental health, with unprecedented demands placed on staff and the public as a whole, and highlighted the burden from chronic but preventable conditions, especially obesity.

21. So our plan for healthcare involves i) tackling the electives backlog, ii) putting the NHS back on a sustainable footing and iii) increasing the focus on prevention.

Tackling the electives backlog

22. The Government will tackle this elective backlog in the biggest catchup programme in the NHS's history. We will spend £2 billion this year, double our previous commitment, to start to tackle the backlog. In addition, the Government plans to spend more than £8 billion in the following three years from 2022-23 to 2024-25. The £9 billion that we are putting in now, on top of the £1 billion that was included in the 2020 Spending Review,

could deliver the equivalent of around nine million more checks, scans and procedures. It will also mean the NHS in England can aim to deliver around 30 per cent more elective activity by 2024-25 than it was before the pandemic, after accounting for the impact of an improved care offer through system transformation, and advice and guidance. Further, once the NHS has recovered from the pandemic, activity should be the equivalent of ten per cent higher than under the NHS Long Term Plan².

23. The Government will also establish a new £250 million Elective Recovery Technology Fund to enable cutting edge technologies and provide £250 million in funding to increase operating theatre capacity and improve productivity in hospitals, which together will increase elective capacity.

24. To help ensure the delivery of this ambitious goal, NHS England and Improvement will also publicly set out how it will embrace efficiency and reform to seek to maximise funding for elective activity within the funding envelope. Without this investment, average waiting times would be longer. This programme will be delivered by focussing on making best use of resources, increasing flexibility and embracing innovation.

- a. Catchup will involve making best use of available **resources**, both our finances and our brilliant NHS staff. That means recruiting and training new NHS staff, including to meet the Government's commitment to deliver 50,000 more nurses. More staff will mean shorter wait times than there would otherwise be. The Government has already doubled this year's Elective Recovery Fund to £2 billion, helping NHS organisations in England transform the delivery of services and accelerate the restoration of elective and cancer care.
- b. NHS England and Improvement will ensure the system is **flexible** so that people can access rapid advice when they need it. As well as ensuring that patients with suspected cancer and other urgent conditions come forward to access health services, there will be specialist advice for primary care to enable a patient's care to be managed in the most appropriate setting. We will introduce a new system which gives patients and their carers the ability to arrange follow-up appointments as and when they need them.
- c. This programme also requires a commitment to **innovation** and embracing the chance to do things differently and better in the future. This means sharing and using expertise, building on the excellent work already underway in hospitals and primary care, and learning from the pandemic by using virtual clinics and new ways of working, as well as harnessing the latest data and diagnostic techniques. It will lead to better care and safer treatment. This approach will be supported by more treatment capacity, with new surgical hubs and the delivery of extra operations and other procedures, working in partnership with the private sector. Patient pathways will be transformed, improving the quantity and quality of patient care through a more efficient service. NHS England and Improvement is currently running a £160 million elective recovery accelerator initiative to trial new approaches in 12 integrated care systems and five specialist children's hospitals across England.

² NHS Long Term Plan, 2019. Available at: <<https://www.longtermplan.nhs.uk/>>

These innovations will feed into a delivery plan for accelerating system-wide recovery. All these innovations will support our ability to ensure that people are cared for as efficiently as possible and in the best way for their individual needs.

25. The pandemic has affected the provision of healthcare across the whole of the UK. A united approach is needed to share information and best practice, provide consistent public health advice and fix problems of shared concern in the UK-wide response to the pandemic. The Government will work closely with the devolved administrations to share ideas for recovery, laying the foundations for a programme of joint working for the whole country to build back better.
26. A new £50 million research, innovation and collaboration fund will be established to help improve health outcomes across the whole of the UK, particularly where they are weakest. The fund, administered by the Department for Health and Social Care and the Cabinet Office, will support research and healthcare institutions in different parts of the UK to collaborate on joint projects, to share best practice, and jointly to develop new innovative approaches. The fund will support levelling up and lay the foundations for more active, ongoing collaboration in innovative healthcare across the home nations of the UK. The UK Government will consult with the devolved administrations, and work with research and healthcare institutions, on the design of the fund.

Putting the NHS on a sustainable footing

27. The response of the NHS to the pandemic across the UK was extraordinary. While the immediate focus must be on recovery, this Government is determined to level up health outcomes across the UK and invest in the services that matter most to people's lives.
28. The Government made available £63 billion in 2020-21 and over £34 billion so far this year to support health services. In England, this included £500 million for mental health recovery in 2021-22, which is being used to address waiting times for mental health services, give more people the mental health support they need and invest in the NHS workforce. It also included £260 million to continue to grow our NHS workforce and support commitments made in the NHS Long Term Plan. In March 2021, the Government also announced an additional £6.6 billion to allow NHS England and Improvement to maintain capacity and respond to COVID-19, and to continue the hospital discharge programme, infection control measures, long COVID services and NHS staff support services. The Budget also confirmed an additional £2.4 billion for the devolved administrations in 2021-22 through the Barnett formula and targeted investment across Scotland, Wales and Northern Ireland.
29. The Health and Social Care Levy makes available investment of around £12 billion per year on average for health and social care across the UK over the next three years. This includes funding for further real-terms uplifts to NHS spending in England beyond the current Long Term Plan. In 2024-25, Scotland, Wales and Northern Ireland will benefit from an additional £1.1 billion, £700 million and £400 million respectively, which includes UK-wide spending such as vaccines as well as Barnett funding for the devolved

administrations. At the heart of these plans lies the Government's determination that the recovery should be felt equally by people in all parts of the country.

Focussing on prevention

30. To create an NHS fit for the 21st century we must take a long-term approach. The population has grown, life expectancy has risen and welcome medical advances have resulted in the availability of new treatments. But the population is also suffering from the burden of chronic preventable conditions, like obesity, diabetes and heart disease, which are often concentrated in the poorest sections of society. This means greater demand for services that are more complex and wide-ranging than ever before. That is why this Government remains committed to delivering its promise to deliver 50,000 more nurses, deliver 40 new hospitals and provide 50 million more general practice appointments in England. So while the Government's immediate priorities for the NHS must be dealing with COVID-19 and recovering the elective backlog, its long-term priority remains shifting the NHS toward prevention.
31. Prevention must be a central principle in delivering a sustainable NHS and levelling up. This means fixing the underlying causes of ill-health that are contributing to health spending increases and worsening outcomes. Improving the health of communities is vital to resilience against future health threats. This is at the heart of the mission of the new Office for Health Improvement and Disparities, and the new UK Health Security Agency.
32. The Government will explore turning the NHS Health Check programme into a National Prevention Service so that people can access health checks, supporting individuals to be healthier and access the right treatments. In addition, we will also bring forward a new requirement for NHS England and Improvement to introduce a yearly prevention spend, outcome and trajectory reporting criteria, including an assessment of the 10-year spend and outcome trajectories (what will happen to patients over the decade following diagnosis) of the major preventable diseases such as diabetes.
33. Our ambition is to enable individuals in communities with particular health challenges to improve their own health, access lifesaving treatments and recover from the pandemic. It will reduce pressure on the NHS by empowering individuals everywhere to change their behaviour, whether by quitting smoking, taking up more exercise or changing diets, so that everyone can lead long, healthy and productive lives.

Our plan for adult social care in England

34. Social care affects over ten million people³ in England at any one time. People need different support to live the life they want. Some need support throughout their life, while others have needs that develop suddenly. Some become experts in what support they need, while others will need the involvement of friends and family. For many, decisions need to be made at a uniquely difficult time in their lives. Far too many people and their families are liable for bills they can neither predict, nor afford. Others are concerned about a lack of choice in securing the support they need or a lack of suitable housing. Successive governments have failed to tackle this and currently, anyone in England with assets over £23,250 must pay for their care in full. In 2011, the independent Dilnot Commission estimated that around one in ten adults aged 65 face lifetime costs of more than £100,000⁴. Given rising care costs, that estimate is now one in seven.
35. The Government is committed to creating a sustainable adult social care system that is fit for the future, alongside its programme of wider healthcare reform. While there are different systems in Scotland, Wales, and Northern Ireland which are run by the devolved administrations, the Government will look to establish a programme of joint work to share best practice across the home nations. In England, the Government will work with leaders in Local Government and the social care sector, service users and carers, as well as the NHS Chief Executive and the NHS, to develop and publish a White Paper for reforming adult social care, which will commence a once in a generation transformation to adult social care. It will:
- a. **offer choice, control and independence to care users** – so that individuals are empowered to make informed decisions and live happier, healthier and more independent lives for longer;
 - b. **provide an outstanding quality of care** – where individuals have a seamless experience of an integrated health, care and community system that works together and is delivered by a skilled and valued workforce; and
 - c. **be fair and accessible to all who need it, when they need it** – ensuring that fees are more transparent, information and advice is user-friendly and easily accessible, and no one is subject to unpredictable and unlimited care costs.
36. The Government will ensure Local Authorities have access to sustainable funding for core budgets at the Spending Review. We expect demographic and unit cost pressures will be met through Council Tax, social care precept, and long-term efficiencies; the overall level of Local Government funding, including Council Tax and social care precept, will be determined in the round at the Spending Review in the normal way. We

³ Encompassing those in receipt of formal and informal care, the workforce, and unpaid carers.

⁴ Commission on Funding of Care and Support, 2011. Fairer Care Funding. The Report of the Commission on Funding of Care and Support. [online] HMSO, p.12. Available at: <http://webarchive.nationalarchives.gov.uk/20130221130239/http://dilnotcommission.dh.gov.uk/files/2011/07/Fairer-Care-Funding-Report.pdf>

will invest £5.4 billion in adult social care over the next three years to deliver the funding and system reform commitments set out in this document.

37. To begin this transformation in adult social care, the Government will:

- a. introduce a cap on personal care costs;
- b. provide financial assistance to those without substantial assets;
- c. deliver wider support for the social care system, particularly our brilliant social care staff; and
- d. improve the integration of health and social care systems.

Capping adult social care costs

38. From October 2023, the Government will introduce a new £86,000 cap on the amount anyone in England will need to spend on their personal care over their lifetime. This will be a seismic change in the way we pay for care and will deliver a core recommendation of the independent Dilnot Commission. It will be implemented using legislation already in place under the 2014 Care Act, which introduces the independent Dilnot Commission's social care charging reform. As a result of this new cap, people will no longer face unpredictable or unlimited care costs.

39. These new reforms will complement the existing service allowing people in need of residential care to defer payment of their care home fees so that they do not face the added stress of having to rush into selling their home. This system has been in place since 2015 and means that people have the flexibility to avoid selling their home within their lifetime. To support these reforms, we will work with partners to review the existing scheme in order to provide more flexibility for people to defer their care payments.

40. We will also tackle persistent unfairness in the social care system. Under the current system, people who fund their own care often pay more than people who are funded through their Local Authority for equivalent care. For the first time, using legislation included in the 2014 Care Act, we will ensure that self-funders are able to ask their Local Authority to arrange their care for them so that they can find better value care.

Yusuf is in his late 70s. He has lived on his own since his wife died from cancer ten years ago. When she died, he downsized from their family home in Hastings to a smaller property worth £180,000. As a result, he has £70,000 in savings. Yusuf develops dementia, can no longer cope at home and needs to move into residential care. His underlying health is good and he ultimately spends eight years living at the residential home. Yusuf's care home costs £700 per week.

Under the current system, Yusuf would spend about £293,000 on his care from his assets and his income, and as a result only have £72,000 left in assets.

Under the new system, Yusuf hits the £86,000 cap after three years and four months. He no longer needs to contribute for his personal care from either his assets or his income. Beyond this, he will only have to contribute towards daily living costs. He is now left with £173,000, almost 70 per cent of his original assets.

Over his whole care journey, Yusuf spends £123,000 less than under the current system.

Financial assistance to people without substantial assets

41. From October 2023, anyone with assets of less than £20,000 will not have to make any contribution for their care from their savings or the value of their home, ensuring those with the least are protected. Anyone with assets of between £20,000 and £100,000 will be eligible for some means-tested support, helping people without substantial assets. The new upper capital limit of £100,000 is more than four times the current limit of £23,250, ensuring that many more people are eligible for some means-tested Local Authority support.
42. If someone needs care, Local Authorities will assess i) their care needs and which of those needs are eligible to be met by the Local Authority and ii) whether they should receive financial support to help with care costs, via a means test assessment. Like the current system, the means test will be based on total assets, including both the value of a person's home and their savings. However, if a person needs to continue to live in their own home, it will be excluded from the assessment of total chargeable assets. This is known as the housing disregard and is unchanged from the current rules.
43. The new means test for adult social care will come into effect in October 2023 on the basis of a person's income and savings in the following way.
 - If a person's **total assets are over £100,000**, full fees must be paid. The maximum that a person will have to pay over their lifetime towards personal care costs will be £86,000 as a result of the new cap. If by contributing towards care costs, the value of a person's remaining assets falls below £100,000, they are likely to be eligible for some financial support. Once the £86,000 cap is reached, Local Authorities will pay for all eligible personal care costs. No-one will need to make a contribution from their income towards these care costs. People may choose to

“top up” their care costs by paying the difference towards a more expensive service, but this will not count towards the cap.

- If a person’s **total assets are between £20,000 and £100,000**, their Local Authority is likely to fund some of their care. People will be expected to contribute towards the cost of their care from their income, but if that is not sufficient, they will contribute no more than 20 per cent of their chargeable assets per year. If by contributing towards care costs, the value of a person’s remaining assets falls below £20,000, then they would continue to pay a contribution from their income but nothing further from their assets.
- If a person’s **total assets are less than £20,000**, they will not have to pay anything for their care from their assets. However, people may still need to make a contribution towards their care costs from their income.

44. These reforms will apply to all adults in receipt of adult social care in England, no matter their age. When these reforms are implemented, around 150,000 people will be directly benefiting at any one point in time. Everybody will benefit from the certainty and security that if they or their loved ones need personal care, they will no longer face unpredictable and unlimited costs.

Case Study – Mary and Bob

Mary is a pensioner living in Cheshire with her husband, Bob. Together, they own a home worth £90,000 and have joint savings of £10,000. They both worked hard throughout their lives, planned carefully for their retirement and have a joint weekly income from pensions of £762. Mary has dementia and receives care in their home, but Bob is her main carer. Sadly, after a year Bob suffers a severe stroke and both Bob and Mary need to enter residential care.

Under the current system, if they both stayed in residential care for two years, Mary and Bob would have spent around £114,000 in total towards their care. They wouldn’t have got any state support until right at the end when they individually reached the Upper Capital Limit of £23,250, which would be based on half of their shared assets. They would be left with around £44,000 in assets.

Under the new system, once they both enter a care home, they immediately become eligible for some state support due to each of their £50,000 share of their wealth being below the new £100,000 Upper Capital Limit. Under the new system, they spend £66,000 in total for their care from their income and assets.

Over their combined care journeys, Mary and Bob save £48,000 from their assets and their income in the new system compared to the current system.

45. At present, some people face real financial pressures each week or month after paying for their care. To allow people receiving means-tested support to keep more of their own

income, the Government will unfreeze the Minimum Income Guarantee (MIG) for those receiving care in their own homes and Personal Expenses Allowance (PEA) for care home residents, so that from April 2022 they will both rise in line with inflation.

46. The funding in this package covers the costs to Local Government of implementing the charging reforms, including the cap, the increased capital limit, moving towards paying a fair rate of care and the associated implementation costs. The Government will consult on its proposals for funding distribution and keep this distribution under review. If costs look to differ significantly from projections, it will work closely with Local Government to address this, including through national guidance, supporting appropriate local level mitigations, and by agreeing necessary updates to distribution mechanisms.

Wider support for the social care system

47. An ageing population with increasingly complex needs is putting ever more pressure on the social care system. So alongside providing a path to long-term financial sustainability, the White Paper for adult social care that we will develop with care users, providers and other key stakeholders will focus on proposals for system reform.

48. Our 1.5 million strong social care workforce is an essential part of the social care system. Social care workers are at the front line, caring for and supporting people at the heart of their communities. A qualified and skilled workforce that is rewarded and feels valued is essential for high quality care that is sensitive to individual needs. We will therefore make care work a more rewarding vocation, offering a career where people can develop new skills and take on new challenges as they become more experienced. This will include developing a plan to support professional development and the long-term wellbeing of the workforce.

49. The Government will also invest at least £500 million in new measures over three years to:

- a. provide support in professionalising and developing the workforce, including hundreds of thousands of training places and certifications for our care workers and professional development for the regulated workforce;
- b. fund mental health wellbeing resources and provide access to occupational health funding to help staff recover from their extraordinary role in supporting the country through the pandemic, including through offering services such as counselling, peer-to-peer coaching and workplace improvements; and
- c. introduce further reforms to improve recruitment and support for our social care workforce, with further detail set out in the upcoming White Paper.

Case Study - Lucy

Lucy, 23, has been a care worker for two years working with adults with learning disabilities. Lucy loves her job and is passionate about improving dementia care in her service as many of her clients are showing early signs of it. Lucy has completed her initial training and has a Care Certificate. She now wants to pursue additional specialist level 2 qualifications to increase her confidence and skills. Eventually, Lucy aspires to be a senior care worker so she can manage a team and help to train others, through a level 3 diploma. Lucy has also faced incredibly tough conditions during the COVID-19 pandemic that have put pressure on her own health and wellbeing.

Our workforce proposals will allow Lucy to develop new skills to support her career journey to senior care worker. She will also have more access to services such as counselling, peer-to-peer support and a universal helpline to help her recover from the extraordinary circumstances she faced during the pandemic.

50. It is also clear that there are a wider set of issues that the adult social care sector faces beyond those relating to costs to users and the workforce. Therefore, the Government will:

- a. take steps to ensure that the 5.4 million unpaid carers have the support, advice and respite they need, fulfilling the goals of the Care Act;
- b. invest in the Disabled Facilities Grant and supported housing, as well as exploring other innovative housing solutions to support more people to live independently at home;
- c. improve information for service users to help them navigate the care system and understand the options available to them; and
- d. introduce a new assurance framework and support improvement in the system, to ensure Local Authorities are delivering on their obligations for users.

51. Over the next few months, we will continue to work with stakeholders to co-produce our vision for adult social care and inform the detail under these commitments. We will provide more detail later this year in a White Paper for adult social care.

Improving the integration of health and social care

52. People who use health and social care must be put at the centre of the services that they use. An integrated care system aims to join up the range of health and social care services that patients might receive, bridging the gaps that patients, care users and their families are too often left to navigate alone.

53. The development of Integrated Care Systems (ICSs), which will be placed on a statutory basis through the Health and Care Bill which is currently before Parliament, has shown what is possible by bringing together hospitals, primary care and Local Authorities. It is a necessary step in the right direction. But we need to go further to ensure that people using health and social care services experience well-coordinated care. This will mean

that people do not move between different care settings in a way that is not only bad for individual independence and their quality of life, but also costly and inefficient.

54. The NHS Long Term Plan is clear that the health service should involve more closely integrated systems. This means that health and care organisations should work seamlessly together within systems to improve the standard of services in local places. This new approach will mean that people can expect:

- a. **convenience** – well coordinated care enabled by single digital health and social care record across primary care, NHS trusts and social care providers, and collaborative working practices, so that the burden of coordinating care falls on ICSs not the user;
- b. **choice** – with the ability to make decisions about who provides their care and how they access it, including through an improved understanding of social care providers available to them; and
- c. **flexibility** – by being treated in the right place at the right time for their needs – for example, at home or in the community rather than in hospital.

55. The Government will work with citizens, the NHS, Local Governments and other key stakeholders to co-produce a comprehensive national plan for supporting and enabling integration between health and social care. This will involve creating the right local incentives for integration and prevention, as well as working with the NHS, social care providers and other partners to ensure that they are working to deliver more effective care in people's own homes and their communities, breaking down the barriers between services. The development of the strategy will include a renewed focus on outcomes, empowering local leaders and wider system reforms.

- a. **Outcomes focussed.** The Government will work with systems to identify a single set of system-based health and care outcomes that local systems (including ICSs and Local Authorities) will be asked to deliver. This will mean a greater focus on delivering outcomes rather than processes. While reporting requirements should be streamlined, there will also be increased transparency over delivery of these outcomes, so that it is clear to citizens who is accountable for their local health and care services. Where national systems identify issues, the causes of underperformance should be the focus of any response, rather than a default to fines or sanctions.
- b. **Empowering local leaders.** Local leaders will be given the freedom to align incentives and structures in order to deliver these outcomes in the way that is best for their communities. The Government will keep current regulatory requirements under review to ensure they are focussed on outcomes, rather than dictating a particular delivery approach. We will build on the positive outcomes of joint leadership roles across Local Authorities and ICSs in recent years to support more systems to take this approach.
- c. **Wider system reforms.** There will be Care Quality Commission (CQC) oversight of Local Authorities' commissioning of adult social care, which will be introduced

through the Health and Care Bill, and a role for the CQC in assessing the overall quality of ICSs. In addition, we will improve workforce planning across health and social care and consider a new training curriculum for health and social care staff.

56. This approach will support existing plans on integration to go faster, change the relationship between the individual and their local health and care system, and between local systems and national government.

Case Study - Omar and Nadra

Omar is 88 years old and lives with his wife Nadra in their home in Norfolk. He is frequently admitted to hospital because of falls and has had episodes of delirium.

Currently, Omar has no formal carers or falls assessment, and no specialised equipment in his house. Last year he suffered a hip fracture after a fall and had to spend a long period of time in hospital while his rehabilitation and care package were agreed.

With an improved and more integrated approach in place, a local Multi-Disciplinary Team is able to identify and address a number of interlinked issues. For instance, Omar is diagnosed and treated for dementia and receives input from social services to which he would otherwise not have had access, and equipment is ordered so that Omar is able to live as independently as possible. Community volunteers support him to socialise and, following a falls assessment, Omar now goes to classes and builds up his strength.

Omar and Nadra get the support and expertise they need for a seamless health and social care experience in a more integrated system. Omar is able to live at home for longer, has more engagement with health and care services, and Nadra feels that they are no longer on their own.

Our new funding plan

57. The Government is committed to responsible management of the public finances. This plan for health and social care will lead to a permanent increase in spending. As a responsible Government, it is important that this spending is fully funded, particularly in the context of record borrowing and debt to fund the economic response to COVID-19. The Government has therefore taken the difficult but responsible decision to raise taxes. The new Health and Social Care Levy (the Levy) is the best way to do so.
58. Together with the increase to the rates of dividend tax, the Levy will make available around an additional £12 billion per year on average for health and social care across the UK.

A new Health and Social Care Levy

59. The Government will introduce a UK-wide 1.25 per cent Health and Social Care Levy based on National Insurance contributions (NICs) ringfenced to fund the investment in health and social care set out in this plan.
60. The new Levy will be based on NICs which already part-fund the NHS and have historically been the way in which money is raised for social security provision in this country. The Levy will be effectively introduced from April 2022, when NICs for working age employees, self-employed and employers will increase by 1.25 per cent and be added to the existing NHS allocation. From April 2023, once HMRC's systems are updated, the 1.25 per cent Levy will be formally separated out and will also apply to individuals working above State Pension age, and NICs rates will return to their 2021-22 levels. Revenues will be ringfenced for health and social care (see the Technical Annex for more detail).
61. Only a broad-based tax base like Income Tax, VAT or NICs can raise the sums needed for such a significant investment in health and social care. Basing the Levy on NICs has several advantages.
- a. **It is based on the principle that every individual should contribute according to their means.** Those who earn more pay more. Many small businesses are also protected. 70 per cent of the money raised from businesses will come from the largest one per cent of businesses, while 40 per cent of all businesses will pay nothing extra.
 - b. **The Levy shares the cost of improving the health and social care systems between individuals and businesses across the UK.** Basing the Levy on NICs means that employers will be asked to pay a little more alongside most employees and the self-employed.
 - c. **Successive governments have increased NICs to fund investment in the NHS and other national priorities**, including in 2003 and 2011. The NICs system was set up to fund social security and to support those who have contributed to it over their working lives.

- d. **There is an existing NICs ringfence for the NHS.** This ringfence was established in 1948 and expanded in 2003. These additional contributions will also go to supporting the health and social care system, and this will be displayed clearly on payslips.
 - e. **It provides a clear UK-wide approach.** All parts of the UK need a long-term solution to funding health and social care. NICs are set on a UK-wide basis and are therefore an appropriate way to raise and distribute funds across the UK.
 - f. **It is consistent with international best practice.** France, Germany and Japan have all increased social security contributions to fund social care provision – the latter two with specific social care levies.
62. The Levy will apply to the same population and income as Class 1 (Employee, Employer) and Class 4 (Self-Employed, including partners) National Insurance, and to the main and higher rates. From April 2023 onwards the Levy will also apply to those above State Pension age who are still in employment. The increase will not apply to Class 2 NICs (the flat rate paid by the Self-Employed with profits above the Small Profits Threshold, which is currently £6,515 per year) or Class 3 NICs (voluntary contributions for taxpayers to fill in gaps in their contributions' records to qualify for benefits).
63. Existing NICs reliefs to support employers will apply to the Levy. Companies employing apprentices under the age of 25, all people under the age of 21, veterans and employers in Freeports will not pay the Levy for these employees as long as their yearly gross earnings are less than £50,270, or £25,000 for new Freeport employees.
64. The Levy will be administered by HMRC and collected by the current channels for NICs – Pay As You Earn and Income Tax Self-Assessment. The Levy, including the temporary NICs increase in 2022, will be legislated for shortly.

Impacts of the Levy

65. For **individuals**, the Levy will be progressive. 6.2 million people earning less than the Primary Threshold/Lower Profits Limit of £9,568 in 2021-22 will not pay the Levy. A typical basic rate taxpayer earning £24,100 will contribute £180 in 2022-23, while a typical higher rate taxpayer earning £67,100 will contribute £715. Additional rate taxpayers make up just two per cent of individuals affected but will contribute nearly 20 per cent of the revenue raised from individuals. The highest earning 14 per cent will pay around half the revenues. The Levy will not apply to Class 2 or 3 NICs, protecting the lowest paid self-employed workers and people making voluntary contributions.
66. It is right that **businesses** make a fair contribution, alongside employees and the self-employed, because they also benefit from a taxpayer-funded health and social care service supporting their employees. However, the Government recognises the need to support the smallest businesses and the Employment Allowance, which discounts the smallest businesses' employer NICs bills by up to £4,000, will also apply to the Levy. This means that around 40 per cent of businesses, around 640,000 businesses, will not be affected at all by the Levy. The next 40 per cent of businesses, around 665,000

businesses, will face an average increase of just £450 per year, less than 0.1 per cent of average turnover, and less than one per cent of their overall wage bill. 70 per cent of the money raised from businesses will come from the largest one per cent of businesses – those with at least 250 employees. As part of the Plan for Jobs, the Government is providing significant financial support to employers to take on additional staff and apprentices.

Increasing dividend tax rates

67. The Government will also increase the rates of dividend tax by 1.25 per cent from April 2022. The revenue from this increase will help to fund the settlement announced today, in addition to the Levy.
68. Dividend tax is paid by individuals who receive dividend income from shares, which is not subject to NICs or the Levy.
69. This is a fair increase, and it means that those with dividend income, like business owners and investors, will be making a contribution in line with that made by employees and the self-employed on their earnings. It is also a highly progressive way to raise revenue. Additional and higher rate taxpayers are expected to contribute over 70 per cent of the revenue from this increase in 2022-23.
70. In addition, many everyday investors will be unaffected. Shares held in ISAs are not subject to dividend tax and, due to the £2,000 tax-free dividend allowance and the personal allowance, around 60 per cent of individuals with dividend income outside of ISAs are not expected to pay any dividend tax or be affected by this change in 2022-23.
71. This change will apply UK-wide. It will be scored at the Budget and legislated for in the next Finance Bill.

Delivering for the whole United Kingdom

72. The Levy will operate UK-wide, ensuring that health and social care in all parts of the UK benefit from significant additional support. There will be a legal requirement to allocate the Levy revenues for spending on health and social care.
73. In England, from 2022-23 receipts from the Levy will be added to the existing NHS allocation. From 2023, receipts from the Levy will go to the Ministry of Housing, Communities and Local Government (MHCLG), NHS England and Improvement and the Department of Health and Social Care (DHSC). The Government will work closely with Local Government sector stakeholders on the implementation of the new social care reforms. Specific funding allocations for each Local Authority will be communicated by MHCLG in the usual way through the Local Government Finance Settlement process.
74. Receipts from the 2022-23 increase will go to the NHS or equivalent in Scotland, Wales and Northern Ireland as with the current NHS NICs allocation. From April 2023, receipts from the Levy will go to those responsible for health and social care in the devolved

administrations, including NHS Scotland, NHS Wales and Health and Social Care (HSC) in Northern Ireland.

75. In England, revenue from the increase in dividend tax rates will help to fund the health and social care settlement announced today. This revenue will flow to the devolved administrations in the usual way.

76. Taken together, Scotland, Wales and Northern Ireland will benefit from an additional £2.2 billion each year on average as a result of the health and social care package. In 2024-25, Scotland, Wales and Northern Ireland will benefit from an additional £1.1 billion, £700 million and £400 million respectively, which includes UK-wide spending such as vaccines as well as Barnett funding for the devolved administrations. They will benefit from around 15 per cent more than is generated from their residents, equivalent to an average Union dividend of about £300 million every year.

Conclusion

77. Health and social care is fundamental to us all. COVID-19 brought into sharp relief how critical the effective delivery of public services is across the UK, including by the devolved administrations, Local Authorities and all those on the front line. The public, doctors, nurses, carers and support staff have all risen to the challenge with remarkable fortitude.
78. The Government is announcing significant investment in health and social care of around £12 billion per year on average across the UK, including funding for further real-terms uplifts to NHS England and Improvement spending beyond the current long-term plan. To implement these measures, the Government will:
- a. begin the consultation on our adult social care charging reforms in October this year;
 - b. continue to work closely with the devolved administrations on our recovery from the COVID-19 pandemic, including on the electives recovery;
 - c. publish the final funding settlement for NHS England and Improvement, the delivery plan for tackling the electives backlog, the White Paper for reforming adult social care and the plan for integration later this year;
 - d. introduce the Health and Social Care Levy and increase rates of dividend tax from April 2022, and extend the Levy to include individuals above State Pension age who are still in employment from April 2023; and
 - e. bring into effect Dilnot-style social care charging reforms in England from October 2023.
79. The measures outlined here, including the new Levy, reflect a watershed moment for our health and social care system. This is not just about recovery but about delivering systemic reform for the future. This Government is taking the tough decisions required to put the NHS on a sustainable footing, deliver an affordable solution to social care and provide a world class health and social care system fit for the 21st century.

Technical Annex: Health and Social Care Levy

80. The Health and Social Care Levy (the Levy) will apply to employees and employers liable for Class 1 NICs and self-employed individuals liable for Class 4 NICs. It will be introduced from April 2022. In 2022-23, given the time it takes to prepare HMRC systems, that will be done through an increase in NICs rates by 1.25 per cent. All revenues generated by the increase in rates will be ringfenced and sent directly to NHS England and Improvement, and equivalent in Scotland, Wales and Northern Ireland. Once systems have been updated in 2023-24, a formal legal surcharge of 1.25 per cent will replace the increase in NICs rates and apply to those working above State Pension age; the underlying NICs rates will return to their previous level. From April 2023, receipts from the Levy will go to those responsible for health and social care in the devolved administrations, including NHS Scotland, NHS Wales and Health and Social Care (HSC) in Northern Ireland. The Levy will appear on payslips and a generic message could appear on payslips in the next tax year.

Table 1. Health and Social Care Levy rates

	Employee Main / higher rate	Employer	Self-employed Main / higher rate
Current NICs rates (2021-22)	12% / 2%	13.8%	9% / 2%
2022-23 NICs rates	13.25% / 3.25%	15.05%	10.25% / 3.25%
2023-24			
NICs rates	12% / 2%	13.8%	9% / 2%
Levy	1.25%	1.25%	1.25%
Charged on all earnings/profits above: (2021-22 thresholds)	£9,568	£8,840	£9,568

Existing NICs reliefs to support employers will apply to the Levy.

The 2021-22 thresholds are used as an illustration: the Levy will apply to earnings/profits above the respective thresholds in future years.

Summary of impacts

Exchequer Impact

81. As is normal practice the Government will account for the revenue that will be raised by the Levy and the increase to dividend tax rates at the next fiscal event, when the costing of the policy will be certified by the Office for Budget Responsibility (OBR). The Government expects the net revenue that the Levy and the increase in the rate of dividend tax will make available for additional health and social care spending across the UK to be around £12 billion per year on average.

82. Around £11.4 billion of this amount is accounted for by the Levy and around £0.6 billion from the increase to dividend tax rates. Both figures are calculated on the basis of their net impact across the tax and welfare system. The precise profile will vary, particularly in the earlier years after the tax changes have been introduced, due to the behavioural response of taxpayers to these changes.
83. The net Levy revenue figure is calculated by taking the gross amount which we expect the Levy to raise (after accounting for its direct interactions with other taxes and welfare), which is around £16.4 billion per year. A further adjustment is then needed for indirect effects, which reduce the net yield to the Government.
84. As the methodology notes for HMRC's publication 'Direct Effects of Illustrative Tax Changes' show, a change to the rate of Class 1 employer NICs would be expected to have additional exchequer effects from earnings and business profits depending on the assumed incidence of an employer NICs rate increase.
85. In order to calculate the net fiscal impact of the Levy it is necessary to estimate the impacts on the tax and welfare system that result from these indirect effects and subtract them from the gross revenue estimate. This is estimated to be around £3.2 billion per year.
86. Finally, the estimated public sector employer contributions to the Levy are subtracted, as the Government intends to compensate departments and other public sector employers in England at the Spending Review for the increased cost of the Levy and provide Barnett consequential on this funding to the devolved administrations. If the Government did not take this step then the spending power of public services, including the NHS, would be reduced. This adjustment reduces the amount that is available from the Levy to spend on health and social care by around £1.8 billion per year, bringing the total funding available to around £11.4 billion per year⁵.

Impact on spending

87. The additional spending across the UK of around £12 billion per year on average will be provided as Resource DEL spending to the Department of Health and Social Care Group (including to deliver services for the whole UK), including NHS England and Improvement, to Local Government and to the devolved administrations through Barnett consequential. The precise allocation between these areas will be confirmed later in the autumn.

⁵ The adjustment for compensation of public sector employers for their contributions to the Levy includes compensation to the NHS and Local Government. However this additional funding has not been included in the £12 billion figure for the additional funding being made available for health and social care across the UK as it will not represent an increase to spending power in these sectors.

Table 2. Health and Social Care Resource DEL Budgets (£ billion)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Baseline: Department of Health and Social Care Group core Resource DEL spending^{6 7}	133.4	140.3	147.0	153.7	162.4	165.8
<i>o/w NHS England and Improvement</i>	123.7	129.9	136.1	142.8	151.3	154.5
<i>o/w Non-NHS England and Improvement</i>	9.7	10.4	10.9	10.8	11.1	11.3
New Resource DEL spending: Health & Social Care (UK-wide)	-	-	-	13.3	10.7	12.0
<i>o/w Department of Health and Social Care Group & additional Local Authority social care grants</i>	-	-	-	11.2	9.0	10.1
<i>o/w Estimated Barnett consequentials⁸</i>	-	-	-	2.1	1.7	1.9
Total: Department of Health and Social Care Group Resource DEL spending & additional local authority social care grants⁹	-	-	-	164.8	171.4	175.9
<i>o/w NHS England and Improvement</i>	-	-	-	149.4	154.9	160.1
<i>Memo: Estimated compensation to the public sector for employer costs of the Health and Social Care Levy¹⁰</i>	-	-	-	1.7	1.7	1.8

Source: HMT calculations and Budget 2021.

⁶ Excluding Official Development Assistance, which will be finalised at Spending Review 2021. The Department of Health and Social Care Group provides funding for the NHS in England as well as funding for other services such as vaccines on a UK-wide basis.

⁷ The baseline for the Department of Health and Social Care Group has been constructed by growing existing cash settlements, including the NHS Long Term Plan which extends to 2023-24, at the rate of inflation (GDP deflator).

⁸ Estimates based on potential Barnett consequentials assuming all spending is on devolved areas. Precise Barnett consequentials will be determined at Spending Review 2021.

⁹ Total spending is the sum of Baseline: Department of Health and Social Care Group core Resource DEL spending and new Resource DEL spending for the Department of Health and Social Care Group & additional Local Authority social care grants. Figures may not sum due to rounding. The allocation of Local Authority grants between Department of Health and Social Care Group resource DEL and Local Government Resource DEL will be confirmed at Spending Review 2021.

¹⁰ Estimates to be finalised in Autumn 2021 (including Barnett consequentials for the devolved administrations).

Impact on individuals

88. The Levy will be paid by employed and self-employed individuals and partners earning above the Primary Threshold/Lower Profits Limit of £9,568 in 2021-22. In 2022-23, a typical basic rate taxpayer earning the median basic rate taxpayer's income of £24,100 would be expected to pay an additional £180 and a typical higher rate taxpayer earning the median higher rate taxpayer's income of £67,100 would be expected to pay an additional £715¹¹.

Impact on businesses

89. Employers will pay the Levy for employees earning above the Secondary Threshold of £8,840 in 2021-22, although existing reliefs will apply for employers of apprentices under the age of 25, all employees under the age of 21, veterans, and new employees in Freeports from April 2022.

90. The Employment Allowance allows eligible employers¹² to reduce their annual employer National Insurance liability by up to £4,000. An estimated 40 per cent of all employers¹³, around 640,000 businesses, are expected not to pay the Levy due to the Employment Allowance in 2022-23.

Dividend tax increase

91. From April 2022, all rates of dividend tax will increase by 1.25 per cent. This change will apply UK-wide. It will be scored at the Budget and legislated for in the next Finance Bill.

Table 3. Dividend Tax Rates

	Basic Rate	Higher Rate	Additional Rate
Current dividend tax rates (2021-22)	7.5%	32.5%	38.1%
2022-23 dividend tax rates	8.75%	33.75%	39.35%

92. Dividend tax is charged on taxable dividend income an individual receives that falls outside of the personal allowance (£12,570 in 2021-22) and the dividend allowance (£2,000 in 2021-22). Taxable dividend income excludes, for example, dividends on assets held in ISAs.

¹¹ Source: Forecast income levels for 2022-23 are from internal HMRC analysis based on HMRC's annual Survey of Personal Incomes, a representative sample of individuals in HMRC's PAYE, Self Assessment and repayment claims administrative systems. For further information, please see <https://www.gov.uk/government/collections/income-tax-statistics-and-distributions>.

¹² For details see <https://www.gov.uk/claim-employment-allowance/eligibility>

¹³ In this document employers are defined as employers that have a wage bill with a NICs liability, and wage bill is defined as a wage subject to assessment for NICs.

93. Affected basic rate taxpayers are expected to pay, on average, an additional £150 on their dividend income in 2022-23¹⁴. Affected higher rate taxpayers are expected to pay, on average, an additional £403 on their dividend income in 2022-23. Additional and higher rate taxpayers are expected to contribute over 70 per cent of the revenue from this increase in 2022-23.
94. Due to a combination of the £2,000 tax-free dividend allowance and the personal allowance, around 60 per cent of individuals with dividend income outside of ISAs are not expected to pay dividend tax and are not expected to be affected in 2022-23.

¹⁴ All expected impacts from changes to dividend tax rates are based on Spring Budget 2021 determinants and will be updated when this measure is formally scored at the Budget.

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