



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Sir George Howarth MP
House of Commons
London
SW1A 0AA

17 May 2022

Dear Sir George,

Thank you for your email of 4 March to the Chancellor of the Exchequer enclosing correspondence from your constituents, about the National Insurance Contributions (NICs) Health and Social Care Levy. I am replying as the minister responsible for public spending, and I would like to offer my sincere apologies for the delayed response.

The Government is committed to responsible management of the public finances, and the plan for health and social care will lead to a permanent increase in spending. 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 Health and Social Care Levy will allow the Government to implement necessary adult social care reform, tackle the elective backlog in the NHS as it recovers from coronavirus, develop its pandemic response and preparedness, and ensure the NHS has the resources it needs throughout this Parliament.

The Levy is progressive. From April 2022, the highest earning 17 per cent will pay over half the revenues and 6.1 million people earning less than the Primary Threshold will not pay the Levy. From July 2022, when the Primary Threshold will increase to the equivalent of £12,570 a year, the highest earning 18 per cent are estimated to pay over 60 per cent of the revenues from the Levy, and a further 2.2 million working age people are estimated to be taken out of paying the Levy.

Furthermore, the Levy will also apply to businesses. As businesses benefit from having a healthy workforce, it is only fair that they contribute. Additionally, the Government is also increasing the rates of dividend tax by 1.25 per cent from April 2022. 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.

The Government, nevertheless, understands the pressures that people across the UK are facing with the cost of living. As a result, the Government is providing over £22 billion of targeted support this financial year to help struggling families meet these rising costs. In particular, it recognises that many households will need support to help deal with the rising cost of energy and on 3 February announced a package of support worth £9.1 billion in 2022-23. The package of support includes:

- A £150 non-repayable cash rebate for 80 per cent of households to help with

rising costs now, delivered as a payment to all households in Council Tax Bands A-D from April this year.

- A £200 reduction in households' energy bills delivered this autumn through the Energy Bills Support Scheme, spreading the cost equally over the next five years, giving households more time to adjust to higher energy prices.
- £144 million of discretionary funding for Local Authorities to support households who need support, but are not eligible for the council tax rebate.

The Government expects the vast majority of people who pay council tax by Direct Debit to receive this money from April. For households in bands A-D who do not pay by Direct Debit, or do not pay council tax - for example if they are eligible for Local Council Tax Support - their councils will be ready to process their claims from April. Further detail on the council tax rebate and discretionary funding has been published by the Department for Levelling Up, Housing and Communities. Local Authorities will confirm exactly how the rebate and discretionary funding will be administered in each area.

This energy support package is on top of existing support for households with the cost of energy bills, such as the Warm Home Discount, the Winter Fuel Payment and the Cold Weather Payment.

To help vulnerable households with the costs of essentials such as food, clothing and utilities, the Government will be providing an additional £500 million for the Household Support Fund from April 2022. This is in addition to the £500 million already provided since October 2021, bringing total funding to £1 billion. A third of this funding will be ring-fenced to support families with children, while another third will be dedicated to pensioners. This ensures the people who need it most will continue to receive vital support to meet essential household costs.

The Government also recognises that the best approach to managing the cost of living in the long term is helping people into work, supporting them to increase their incomes and keep more of what they earn. The Government has supported this through an increase to the annual National Insurance Primary Threshold and Lower Profits Limit to £12,570.

The Government has also cut the Universal Credit (UC) taper rate from 63 per cent to 55 per cent, and increased UC work allowances by £500 per annum. This is essentially a tax cut for the lowest paid in society worth around £1.9 billion in 2022-23 and means that 1.7 million households will on average keep around an extra £1,000 on an annual basis making work pay. The National Living Wage (NLW) is increasing by 6.6 per cent to £9.50 an hour for workers aged 23 and over in April 2022, which will benefit more than two million workers. This means a full-time worker on the NLW receives an increase of over £1,000 to their annual earnings.

Please pass on my thanks to your constituents for taking the trouble to make me aware of these concerns.

Yours ever,

A handwritten signature in black ink that reads "Simon Clarke". The signature is written in a cursive style with a long horizontal stroke underneath.

RT HON SIMON CLARKE MP