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The Health and Social Care Levy

The government has announced plans to raise National Insurance Contributions (NIC) and the rate of tax on dividends from April 2022. Increases will later be rebranded as the Health and Social Care Levy, which is designed to pay for the rising NHS budget and social care costs.

- There will be a 1.25% increase in Class 1 (employee and employer) and Class 4 (self-employed) NIC for the main and higher rates.
- The dividend rate tax is to be increased by the same 1.25%.

The following dividend tax rates will apply:

- 8.75% for basic rate taxpayers
- 33.75% for higher rate taxpayers
- 39.35% for additional taxpayers (i.e those earning more than £150k pa)

Changes starts from 6 April 2022 and then from April 2023, NIC will return to its current rate and the extra tax will be collected as a new Health and Social Care Levy. The monetary effect for each taxpayer will be the same, only the names of the taxes will be changed.

Who will be affected?

National Insurance

The increase will only impact those already paying National Insurance in 2022/23. However, in 2023/24 and onwards it will apply to all working persons including those over the state retirement age. Please see a summary below:

NIC RATES	Employee Main / Higher Rate	Employer	Self Employed Main / Higher Rate
2021-22	12% / 2%	13.8%	9% / 2%
2022-23	13.25% / 3.25%	15.05%	10.25% / 3.25%
2023-24	12% / 2%	13.8%	9% / 2%
Levy (2023-2024)	1.25%	1.25%	1.25%
Threshold	£9,568	£8,840	£9,568

Dividends

From 6 April 2022 the rates will increase as follows. The dividend allowance of £2,000 will remain.

	21/22	22/23
Basic rate	7.5%	8.75%
Higher rate (2022-23)	32.5%	33.75%
Additional rate (2023-24)	38.1%	39.35%

*Existing NIC reliefs to support employers will apply to the Levy.
 The 2021-22 thresholds are used as an example for future years.*

If you have any concerns about these changes, please get in touch with a member of our tax team or email enquiries@sheen-stickland.co.uk.