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HEALTH & SOCIAL CARE LEVY

This levy is an increase to both National Insurance rates and Dividend tax rates from April 2022, but is anticipated to become a separate tax from April 2023 in order that those individuals working beyond state retirement age also contribute.

SEPTEMBER 2021

RATE CHANGES

The rates of National Insurance paid by employed and self-employed people will change as follows:

EMPLOYEES

Currently employees pay national insurance on their earnings above the Primary Threshold (£9,568 per year) up the Upper Earnings Limit (£50,270 per year) at **12%**, after which they pay at **2%.**

From 2022/23, the new rates will be 13.25% and 3.25%

EMPLOYERS

Currently employers pay **13.8%** on salaries which are in excess of the Secondary Threshold (£8,840 per year).

From 2022/23, the new rate for employers will be 15.05%

SELF EMPLOYED

Currently self-employed individuals pay Class 4 NI contributions at **9%** on profits between £9,658 and £50,270, after which they will pay **2%**

From 2022/23, the new rates will be 10.25% and 3.25%

DIVIDENDS

Tax on dividends will increase by **1.25%**, resulting a tax rate of **8.75%** for basic rate taxpayers, **33.75%** for higher rate taxpayers and **39.35%** for additional rate taxpayers

PLANNING OPTIONS

It is difficult to provide solid advice at this stage as to how the additional charge could be potentially mitigated. However, our initial thoughts on the issue are that:

BRING FORWARD BONUES AND DIVIDENDS

Bringing forward the payment of any bonuses or dividends that would normally be paid in 2022/23 to 2021/22, provided that this would not unnecessarily push the individual into the next tax bracket.

SALARY SACRIFICE

- **Expenses** - there are certain expenses that can be paid for by the employer on behalf of the employee by an employee reducing their salary in exchange for the employer paying these expenses. These arrangements can reduce the level of the employee's remuneration so that both tax and National Insurance (for the employee and employer) are also mitigated.
- **Effective salary sacrifice arrangements** can include employer provided nurseries, fully electric company cars, cycle to work schemes, certain 'death in service' insurance (instead of life insurance) and pension contributions. For example, company owners may wish to consider whether a personally owned car could be sold given current high used car prices, and be replaced by an electric car provided by the company – meaning less money is needed to be extracted in the future for the running costs of the car, whilst the car is available for private use at a very low tax cost.

Please get in touch for a more detailed discussion!