

10 February 2022

Supplementary forecast information release

Health and social care levy costing breakdown

- 1.1 The OBR is releasing this information following a request for further detail on the information presented in our October 2021 *Economic and fiscal outlook (EFO)* in respect of the new 'health and social care levy', which has been set at a rate of 1¼ per cent on employees, employers and the self-employed. We will, as far as possible, meet any requests to release supplementary forecast information where this will improve the quality of public debate on the public finances. Our full release policy is available on our website.
- 1.2 Specifically, the request relates to the breakdown of the overall yield from the new tax between employer and employee components of the levy. The table below provides the full breakdown of the costing. As well as the levy itself, it also reports the yield in 2022-23 that relates to the temporary increase in National Insurance rates by 1¼ per cent for one year, prior to the levy taking effect. As well as the direct yield from NICs and the levy itself, income tax and corporation tax are affected by changes in the incentive to incorporate due to the higher tax on employee and self-employment earnings, while universal credit spending rises modestly due to the reduction in post-tax incomes of claimants affected by the measure. The fact that it affects income tax means it also affects Scottish and Welsh Government block grant adjustments under the relevant fiscal frameworks. For further detail, including on the assumed pass-through to wages, see Annex A of our October *EFO*.

Table 1.1: Health and social care levy costing breakdown

	£ million					
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Total costing	46	16,503	16,806	16,906	17,290	17,876
Of which:						
Total tax	44	16,661	17,000	17,144	17,570	18,190
Of which:						
NICs (employer)	12	8,410	-319	-399	-466	-527
NICs (employee)	2	8,194	-78	-100	-117	-132
NICs (self-employed)	0	742	-57	-94	-124	-150
HSC levy (employer)	0	0	8,856	9,054	9,358	9,740
HSC levy (employee)	0	0	8,580	8,766	9,068	9,450
HSC levy (self-employed)	0	0	833	867	900	951
Income tax (PAYE)	31	-790	-945	-1,093	-1,229	-1,359
Income tax (self-assessed)	0	0	-213	-395	-513	-613
Corporation tax	0	105	344	537	693	830
Total spending	2	-158	-194	-238	-280	-314
Of which:						
Universal credit spending	0	-98	-106	-115	-132	-144
Scottish block grant	2	-58	-84	-115	-138	-158
Welsh block grant	0	-2	-4	-8	-10	-12

Note: a positive (negative) sign implies a gain (loss) to the Exchequer. E.g. a negative sign on spending means higher spending.