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Policy paper

Reversal of the Health and Social Care Levy Factsheet

Published 23 September 2022



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- The government is committed to a low-tax, high-growth economy. To make sure people keep more of the money they earn and for businesses to have the right conditions to drive investment, growth and productivity.
- The government is therefore cancelling the Health and Social Care Levy – initially introduced via a 1.25 percentage point rise in National Insurance contributions (NICs) - which took effect in April 2022.
- This will be delivered in two parts:
 - The government will reduce National Insurance rates from 6 November 2022, in effect removing the temporary 1.25 percentage point increase for the remainder of the 2022-23 tax year;
 - The 1.25% Health and Social Care Levy will not come into force as a separate tax from 6 April 2023 as previously planned.
- This tax cut reduces 920,000 businesses' tax liabilities by £9,600 on average in 2023-24. This is 60% of the UK's businesses with employer NICs liabilities.
- It means 28 million people across the UK will keep an extra £330 a year, on average, in 2023-24.
- We are making this change as quickly as possible, with it coming into force on 6 November.

How does cancelling the Health and Social Care Levy help spur growth?

- This government's central mission is to raise living standards for all in the UK through growing the economy through the private sector.
- As a result of this tax cut, businesses will have more money to invest in becoming more productive, pay higher wages, create more jobs and support the overall growth of the UK economy.
- Approximately 60% (920,000) of businesses with NICs liabilities will see a reduction their National Insurance bills, with 20,000 of these businesses taken out of paying NICs entirely due to the Employment Allowance, a relief which allows eligible businesses to reduce their employer National Insurance bills each year.
 - At Spring Statement, on 23 March 2022, the previous government announced this would be rising by £1,000 from £4,000 to £5,000, which means 40% of businesses with NIC liabilities do not pay NICs.
- The average saving for businesses is £9,600 in 2023-24.

- For small and medium businesses who see their NICs bills reduced, the average saving is £4,200 and £21,700 respectively in 2023-24.
- The sectors benefitting most from the reversal are professional, scientific and technical; wholesale and retail trade, repair of motor vehicles and motorcycles; and construction.

When will people receive the extra cash?

- Most employees will receive the cut in their November 2022 pay directly via their payroll.
- Basic rate taxpayers will on average see a gain of approximately £75 in 2022-23 rising to £175 in 23-24. For higher rate taxpayers, these figures are on average approximately £300 in 2022-23 rising to £700 in 23-24. For additional rate taxpayers, the gain will be on average approximately £1,650 in 2022-23 rising to £3,890 in 23-24.
- Due to the complexities of some payroll software systems, there will be some people who receive the cut backdated in December 2022 or January 2023.
- Although individuals should contact their employer for refunds as a first port of call in all circumstances, there may be circumstances where individuals may need to apply to HMRC for a refund (for example, if their employer is no longer trading, or if an individual has moved roles and their previous employer has confirmed they are unable to issue a refund retrospectively themselves).

Will there be less funding for health and social care as a result?

- The Levy and increased dividend tax was expected to raise approximately £13 billion a year to fund health and social care. Funding for health and social care services will be maintained at the same level as if the Levy was in place.

What does this mean for the self-employed ?

- Self-employed people and company directors will pay a blended rate of National Insurance – taking into account the changes in rates throughout the year – when they submit their annual self-assessment return.

What is happening to income tax on dividends?

- From April 2023 the government is reversing the 1.25 percentage point increase to the rate of income tax on dividends which took effect in April 2022.
- This move is designed to support entrepreneurs and investors as we seek to raise living standards through economic growth.

Extra information

For more information on National Insurance click [here \(https://www.gov.uk/national-insurance\)](https://www.gov.uk/national-insurance).

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