

# National Insurance increase reversed

- April's National Insurance increase to be reversed from November – delivering on key PM pledge to cut tax burden and promote economic growth
- Health and Social Care Levy will be cancelled through Bill introduced today – Chancellor has confirmed funding for health and social care services will be protected and will remain at the same level as if the Levy were in place
- Almost 28 million people will keep an extra £330 of their money on average next year, whilst 920,000 businesses are set to save almost £10,000 on average next year thanks to the change

Delivering on the Prime Minister's pledge to slash taxes to help drive growth, scrapping the rise will reduce tax for 920,000 businesses by nearly £10,000 on average next year as they will no longer pay a higher level of employer National Insurance and can now invest the money as they choose.

The government will also cancel the planned Health and Social Care Levy – a separate tax which was coming into force in April 2023 to replace this year's National Insurance rise. This will help almost 28 million people across the UK keep more of what they earn, worth an extra £330 on average in 2023-24, with an additional saving of around £135 on average this year.

The Health and Social Care Levy (Repeal) Bill, legislating for the tax change, has been introduced into the House today. As part of the cancellation of the Levy, The Chancellor is also set to confirm that the increases to dividend tax rates will be scrapped from April 2023 in his Growth Plan tomorrow. The increased dividend tax was introduced in April 2022 to ensure those who gained income from dividends contributed the same amount to help fund health and social care.

The Levy was expected to raise around £13 billion a year to fund health and social care. The Chancellor confirmed today that the funding for health and social care services will be maintained at the same level as if the Levy was in place, protecting the NHS through the winter and ensuring long-term investment in social care.

## **Chancellor of the Exchequer Kwasi Kwarteng said:**

Taxing our way to prosperity has never worked. To raise living standards for all, we need to be unapologetic about growing our economy.

Cutting tax is crucial to this – and whether businesses reinvest

freed-up cash into new machinery, lower prices on shop floors or increased staff wages, the reversal of the Levy will help them grow, whilst also allowing the British public to keep more of what they earn.

The previous government decided to raise National Insurance by 1.25 percentage points in April 2022 to fund health and social care. The rate was due to return to 2021-22 levels in April 2023, when a separate new 1.25% Health and Social Care Levy was due to take effect. Today's legislation reverses the rise from earlier this year and cancels next year's introduction of the Levy.

This is part of the government's pro-growth agenda, backing business to invest, innovate and create jobs and helping raise living standards for everyone across the UK.

920,000 businesses will see a cut in National Insurance bills, with 20,000 taken out of paying National Insurance entirely due to the Employment Allowance, which rose in April 2022 from £4,000 to £5,000.

In particular, many small and medium businesses (SMEs) – who employ over 13 million people in the UK – will see a cut to their National Insurance bills. Next year this will be worth £4,200 on average for small businesses and £21,700 for medium sized firms who pay National Insurance. In total 905,000 micro, small and medium businesses will benefit from 2023-24.

National Insurance thresholds increased in July 2022 to lift 2.2 million of the poorest people in the UK out of paying the tax. The Chancellor has committed to retaining the level of these thresholds to support families. Taken together, the higher thresholds and the Levy reversal mean that almost 30 million people will be better off by an average of over £500 in 2023-24.

With immediate action pledged by the Prime Minister to maximise the cash benefit for people and businesses this year, the government is implementing the changes as soon as possible. Most employees will receive a cut to their National Insurance directly via payroll in their November pay, with some receiving it in December or January, depending on the complexity of their employer's payroll software.

In addition, the Chancellor is expected to announce in his fiscal event tomorrow that the 1.25 percentage point increase to income tax on dividends announced alongside the Levy, and introduced in April 2022, will be reversed from April 2023. Those who pay tax on dividends will save an average of £345 next year. The reversal of the 'dividend tax' rise signals renewed support for entrepreneurs and investors as part of the government's drive to grow the economy and improve the standard of life for families across the UK.

Overall funding for health and social care services will be maintained at the same level as if the Levy were in place, and the government will be doing this without a tax increase. The additional funding used to replace the expected revenue from the Levy will come from general taxation. The

Chancellor is committed to reducing debt-to-GDP ratio over the medium-term and boosting growth, which will help sustainably fund public services.

### **Further information**

- Read the [legislation](#)
- Employment Allowance is a relief which allows eligible businesses to reduce their employer National Insurance contributions (NICs) bills each year. At Spring Statement on 23 March 2022 the previous Chancellor announced this would be rising by £1,000 from £4,000 to £5,000.
- 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.