

Tax for the NHS and social care

As a long standing critic of the OBR and Treasury models and poor forecasts let me clarify. I do support the need for Treasury financial discipline. One of the Treasury orthodoxies I always supported was the one which said you should not hypothecate or give a tax to a particular area of spending.

The Treasury rightly pointed out there was rarely a single tax which raised just the right amount of money for a given service. If you found one or created one, there was no guarantee that the revenue from that tax would grow at the right rate for the service. It was always possible the tax would be more buoyant than the financial needs of the service making it difficult to rein in the tax and the spending. It was also possible the tax from time to time would be insufficient. There would then be remorseless pressure for the Treasury to provide a top up from general taxation.

I was therefore surprised when the current Treasury changed its mind and invented a new hypothecated tax. Indeed they invented two. This year it is to be a supplement to National Insurance. Next year it is to be a new social care tax. These new taxes have been born of controversy. Here are some questions I would like to see the government answer.

1. How will the money from these taxes be moved from assisting the NHS to social care? What is the timetable or trigger points to scale back the cash to the NHS and put it into social care?
2. As social care currently costs taxpayers around £40 bn and is paid for out of general taxes and out of local authority taxes, how will the future settlements of these sums be calculated bearing in mind the top up money coming from the dedicated tax? What has been gained by ring fencing a proportion of the cash when far bigger amounts still rest on annual negotiation between local government, social care and Treasury?
3. The government has now announced a substantial increase in the threshold before anyone pays National Insurance. Has this reduction in the money from the ring fenced tax been agreed by the NHS and by social care? How has this been possible? does it mean they can now manage with a smaller tax or will there be more top up money? When can we see the spending plans behind this? We would like to know what the new tax is buying.