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7 April 2022

Dear Susan & Denis,

Thank you for your contributions to the National Insurance Contributions (Increase of Thresholds) Bill debates on Wednesday 30 March. I am writing, as promised, to follow up on the question raised about the impact the increase in the National Insurance (NICs) thresholds will have on the revenue from the Health and Social Care Levy.

The Office for Budget Responsibility (OBR) published their latest Economic and Fiscal Outlook (EFO) on 23 March 2022. This contains a summary of the changes in receipts from major tax heads since Autumn Budget 2021. This shows that forecast receipts from the Health and Social Care Levy have increased by £0.1bn in 2023-24, and £0.3bn 2024-25 and 2025-26, and £0.2bn 2026-27, compared to the receipts forecast by the OBR in October 2021. This information can be found in Table 3.6 in the EFO at <https://obr.uk/efo/economic-and-fiscal-outlook-march-2022/>.

This forecast takes into consideration the impact of the increase to the Primary Threshold, Lower Profits Limit and the Employment Allowance announced at Spring Statement.

The reason for the overall net increase in Levy receipts is that the growth in projected Levy receipts from improvements in the OBR's forecast – driven largely by wages and salaries being higher in cash terms than the OBR expected in the Autumn – more than offset the impact of the changes announced at Spring Statement.

These changes will not impact the health and social care budgets, which have been set for the next 3 years at the Spending Review. As is standard, the Treasury does not re-open multi-year settlements based on changing forecast receipts. This is

Baroness Kramer and Lord Tunncliffe
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because forecasts can go down as well as up, and stability and certainty of funding is important for departments and the devolved administrations. However, you can rest assured that every penny collected from the Levy will go to bodies responsible for health and social care, as is set out in legislation.

I am copying this letter to all members who spoke during the debate and placing a copy in the library of the House.

Best wishes,

A handwritten signature in blue ink, consisting of a large, stylized 'P' followed by a horizontal line.

BARONESS PENN