



# NHS LEVY

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# CONSULTATION

27 March 2025



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# NHS Levy Consultation

This Consultation Paper is issued by the Treasury.

The purpose of the consultation is to obtain views in relation to the introduction of a new health levy. The consultation is relevant to all residents of the Isle of Man.

The closing date for responses is **18<sup>th</sup> June 2025**.

To ensure that your opinion is considered, please proceed online by clicking 'Online Survey' on the consultation page on the Engagement Hub.

Alternatively, you may also submit responses by e-mail or post to:

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Income Tax Division  
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Email: [Consultation.ITD@gov.im](mailto:Consultation.ITD@gov.im)

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There are multiple text boxes provided throughout the consultation, but you are not required to complete them unless you want to explain your view.

Please refrain from adding personal information to these boxes. Any personal information added will be redacted.

## Confidentiality

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Please consider your choice from the following options:

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### QUESTION 1

I am a responding as or on behalf of a ...

- resident for tax purposes
- non-resident for tax purposes

### QUESTION 2

Are you responding as part of or on behalf of a jointly assessed couple?

Yes / No

### QUESTION 3

Are you responding on behalf of an organisation?

Yes / No

Organisation

### QUESTION 4

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(Required)

- Yes, you can publish my response in full
- Yes, you may publish my response anonymously
- No, please do not publish my response

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# 1. Foreword

I am pleased to present this consultation, which seeks the views of our community on some of the high-level policy principles of an NHS Levy.

The Tax Strategy 2024-2026 was debated and received by Tynwald in March 2024. This consultation directly supports the priority action to “investigate a new levy – ring-fenced for the health service” under the strategic objective “we will raise sufficient taxes to meet our needs through a sustainable and diversified tax system that has flexibility to adjust as and when circumstances change”.



The reason this is a priority in the Tax Strategy relates to the projected shortfall in funding in respect of health and care services. The funding from the Levy alongside increased budgetary scrutiny and efficiency savings will be used to stabilise future healthcare funding at a level that supports the needs for all our community.

Over the last five years the spending on our health service has increased by an average of 14% per year; far faster than the rate of our Island’s economic growth or the increase in government revenue. A future Levy could act as additional revenue to support our efforts to fund a reformed NHS providing effective and efficient services that are free at the point of need.

The consultation provides an overview of what the Levy is, why this is the option chosen by Treasury, why we need it and how we propose to calculate it. We are seeking your views on the proposals, which aim to maintain the funding for our health service into the future.

The Levy aims to encompass all tax resident individuals, creating a fair and equitable mechanism to contribute towards health funding without reliance on reserves.

Other countries have faced similar funding difficulties and have brought in various types of charges, for example the Universal Social Charge in Ireland and the Long Term Care Contribution in Jersey. In 2021, the UK brought forward the Health and Social Care Levy Act to raise funds for health and social care. This was paid for a temporary period from 6 April 2022 by way of an increase in the rates of National Insurance contributions of 1.25%.

I want to ensure that we listen to all views and legislate in the right way from the beginning, introducing a Levy which is proportionate and progressive. With any form of taxation, we need to strike a balance between raising sufficient income to fund the services we need whilst ensuring that the economy continues to thrive by remaining a competitive jurisdiction and attractive to those who live here and those individuals and businesses we want to attract.



Analysing the responses to this consultation before making any final decisions and bringing forward primary legislation may take some time. A Levy would be a new tax for the Isle of Man and as such is a complex undertaking.

At the time of last year's Budget, I gave a firm commitment to review the income tax thresholds, the National Insurance thresholds, the benefit thresholds (especially those relating to Child Benefit) and to reduce the headline upper rate of income tax. The 2025 Budget seeks to deliver on these commitments but also plan a responsible and sustainable financial plan for the future of our nation.

Whilst the headline rate of Income Tax was reduced from 22 to 21% there is still work that will need to be carried out to provide additional and sustainable funding streams for our NHS if we are to reduce this back to the previous 20% rate.

If a decision is made by Tynwald to proceed with a Levy, this will require more careful study and the additional funding this could bring will not be available for the coming financial year. This is because of the complexity and the need to allow time for a separate Bill for the Levy to go through the full parliamentary process.

**Hon. Dr Alexander Allinson, MHK**

**Minister for the Treasury**

## 2. Background

### 2.1 WHAT IS THE NHS LEVY?

The NHS Levy would be a new charge on income that would be separate from existing income tax with its own calculation base, rate and 'Levy Free' amount (see sections 2.6, 3.1, 3.2 and 3.3). All the income generated from the NHS Levy would be ring-fenced to help fund our NHS.

It is anticipated that the NHS Levy would be administered by the Income Tax Division of Treasury and collected in the same way as income tax (see section 3.6).

There would be no separate NHS Levy return; rather the existing income tax return would be amended to collect any additional information needed.

### 2.2 WHY DO WE NEED AN NHS LEVY?

The provision of healthcare on the Island and further afield has been subject to significant cost pressures, which are rising at a higher rate than general inflation. Over recent years healthcare funding on the Island has been enhanced to align with the conclusions of Sir Jonathan Michael's report and move towards setting out a long term funding strategy, which will allow our NHS to plan for the future and continue to improve the services for our community.

In order to maintain current services, the funding for health, in line with the Sir Jonathan Michael report, is recommended to be 3.03% on top of base inflation. This is compounded each year.

The growth in healthcare funding over the last five years, the above inflation year-on-year increases and the overall cost of the NHS as a proportion of Government spending is becoming unmanageable within the current funding model. Without some form of action to increase revenue there is a real risk to the provision of vital services.

Tax revenues make up the majority of government revenues; however, they are not predicted to grow sufficiently to cover the rising cost of maintaining the health system at its current level. A temporary increase in the higher rate of income tax for the tax year 2024/25 was introduced to help address the problem immediately. This has since been reduced from 22% to 21% as part of the Budget 2025 with the revenue gap being met by an increase in the NHS Allocation, however, a longer term solution is needed. The Treasury is seeking views on using a new Levy to do this.

## Health and Care extra money voted by Tynwald

Year	Supplementary Vote £M
2016/17	11.1
2017/18	9.5
2018/19	4
2019/20	8
2020/21	0*
2021/22	10
2022/23	8.8
2023/24	30
2024/25	20**
<b>Total</b>	<b>101.4</b>

\* An additional amount was allocated by way of a large contingency supplementary vote from Tynwald due to Covid 19. Due to this no additional funding has been directly allocated to DHSC in this analysis, however it could easily be estimated to be another £10m plus.

\*\* Estimate

The average total increased spending on health has been 14% each year for the last five years.

Total Government gross spending projected for 2025-26 equates to around £17,249 per head of the Island's population, £4,583 of which goes towards Health and Social Care Services.

The current budget for 2025-26 of £387.4 million means that health and social care now accounts for almost 26.6% of gross expenditure (pre reserves).

It was estimated that the increase from 20% to 22% in the higher rate of income tax would raise in the region of £20 million (see footnote 1 for explanation<sup>1</sup>). Current estimates suggest that the Levy, based on the stated proposals in section 3, will raise in the region of £26-28 million per year for health funding. Any further funding required would be met from other general revenue.

Whilst financial discipline has been placed as a key priority for this administration and there is a concerted effort to reduce Government spending, the generation of additional revenue

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<sup>1</sup> The total revenue estimated will not be wholly realised in 2024/25.

will still be necessary. Investment in new technologies to increase productivity in the delivery of public services is also underway but is often complex and requires time and care to ensure effective implementation.

### 2.3 HOW WOULD THE TRANSITION TO THE LEVY WORK?

The earliest practical date a Levy could apply from is 2027/28, as new primary legislation would need to be enacted. As part of the Budget 2025 the increase in the higher rate of income tax, which was introduced as a temporary measure, was reduced from 22% to 21%. Treasury intends to address the reduction in revenue from decreasing the higher rate of income tax by increasing the NHS Allocation<sup>2</sup> for five years commencing on 6 April 2025.

### 2.4 WHY A LEVY ON INCOME?

A new Levy would mean that decisions could be taken separately from income tax about who pays, on what and at what rates. It also facilitates the ring-fencing of the revenues generated for the health service.

Although separate from income tax, keeping certain aspects closely aligned means that it could be administered and collected efficiently by adapting existing systems.

A Levy on all income means more of those who can potentially benefit from the health service would contribute to the cost of it through payment of the Levy.

The options that have been considered as an alternative to a Levy are described below:

<b>Option</b>	<b>Considerations</b>
Income Tax	Restricts ability to pay to a narrower base Only affects those paying the rate on which any increase is applied
National Insurance	Majority of contributions are paid into Manx National Insurance Fund and used to pay the State Pension and other contributory benefits e.g. Incapacity Benefit Only paid on earnings from employment and self-employment <sup>3</sup> Not paid by individuals over State Pension Age <sup>4</sup>

<sup>2</sup> See section 3.7 in respect of NHS Allocation.

<sup>3</sup> National Insurance contributions could be extended to apply to other types of income. However, this option would require significant changes to be made to the overall National Insurance system, which today is still primarily designed to fund contributory benefits.

<sup>4</sup> On its own requiring individuals over State Pension Age to pay National Insurance contributions on earnings is not a realistic alternative to a Levy as it would not generate sufficient additional revenue. This topic will however be the subject of a further consultation exercise later in 2025.

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Levy	Bespoke Can be applied to a wider base Easier to ring-fence More transparent Enables Tynwald to make decisions on the rate and threshold separate from similar decisions in relation to Income Tax and National Insurance
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## 2.5 KEY POINTS BEING CONSULTED ON

- Collection by Income Tax Division
- Ring-fencing of revenue generated for health services
- Income basis on which the Levy is charged (definition to be determined but not just taxable income)
- Treatment and calculation of jointly assessed couples
- Subject to a maximum charge e.g. £5,000 individuals, £10,000 jointly assessed
- An allowance or 'Levy Free' amount – similar principle as the Personal Allowance for tax

## 2.6 CALCULATION OF THE LEVY

For the purposes of this consultation document, it has been assumed that the rate of the Levy would be 2%. The actual rate of any Levy would be provided for in legislation and decided by Tynwald in a similar manner to income tax rates.

<i>Income subject to Levy</i>	£xxxxx -
<i>Levy free amount</i>	£xxxxx
<i>Amount Levy applied to</i>	_____
	£xxxxx
<i>Levy applied at 2%</i>	£xxx (capped at prescribed level)

No additional allowances, reliefs or bands would be applied in relation to the Levy e.g. no single parent or disabled allowances, no relief for mortgage interest, charitable donations.

## 3. Proposals and Questions

### 3.1 WHO SHOULD PAY THE LEVY?

***Proposal - Tax resident individuals, under domestic tax principles, irrespective of their age.***

Residency: for tax purposes residence is based on intention and physical presence. Some individuals who are classed as non-resident for tax purposes are physically present on the Island for up to 6 months. Designing and implementing an alternative definition of residency or a definition of health service users for the purposes of the Levy may cause confusion and lead to unnecessary complexity.

Age: for income tax purposes there are no restrictions for age as only those receiving income potentially have a liability to income tax.

#### QUESTION 5

Do you agree that the Levy should only apply to individuals who are classed as resident for tax purposes?

Yes/No

#### QUESTION 6

Should the Levy apply to all individuals with sufficient income to be above a Levy free amount irrespective of their age?

Yes/No

Please provide further information or comments that you may consider relevant

### 3.2 WHAT WOULD THE LEVY BE CHARGED ON?

***Proposal – Levy charged on an individual’s income without any deductions or reliefs, including income that is exempt from income tax.***

This could include:

- income subject to Double Taxation Relief<sup>5</sup> (e.g. earnings, pension or investment income from another country that has already suffered foreign income tax so may not suffer any further income tax in the Island)
- amounts subject to exemptions from income tax (e.g. lump sum on retirement, war pensions, grants, first £30,000 termination payments, Governors salary, Benefits in kind, TT Homestay)
- income from Social Security Benefits
  - Means tested benefits (e.g. Income Support)
  - Non-means tested benefits (e.g. contributory based Jobseekers/Incapacity Benefit)
  - Earnings replacement (e.g. Employed Persons Allowance)
- income subject to Key Employee Special Treatment (the Levy would be applied to worldwide income notwithstanding that such individuals are taxed as a non-resident for income tax purposes)
- income sheltered from income tax by additional allowances, deductions or reliefs applied e.g. single parent or disabled allowance, mortgage interest relief, charitable donations or nursing expenses
- income currently subject to the tax cap.

### QUESTION 7

Do you agree that the Levy should be charged on all categories of income outlined above?

Yes/No

Please provide further information or comments that you may consider relevant

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<sup>5</sup> Subject to existing commitments to give double taxation relief as set out in the Isle of Man’s Double Taxation Agreements.

### 3.3 SHOULD THERE BE A "LEVY FREE" AMOUNT?

***Proposal - there should be a "Levy Free" amount similar to the current income tax Personal Allowance but without a taper.***

Under changes approved as part of the 2025 Budget, individually assessed individuals can now have income of £14,750 and jointly assessed couples £29,500 before they need to pay income tax. This keeps those on very low incomes outside of the income tax system and also avoids the need to collect relatively small sums. For income tax purposes there is a taper which reduces an individual's personal allowance by £1 for every £2 that income is in excess of £100,000 or £200,000 for a jointly assessed couple. An equivalent taper is not proposed for the Levy.

#### QUESTION 8

Should there be a "Levy Free" amount similar to the current Income Tax personal allowance?

Yes/No

#### QUESTION 9

Should the "Levy Free" amount be lower, the same or higher than the Income Tax personal allowance?

Lower/same/higher

Please provide further information or comments that you may consider relevant

### 3.4 HOW SHOULD JOINTLY ASSESSED COUPLES BE TREATED?

***Proposal - Jointly assessed couples for income tax purposes should be treated as jointly assessed couples for the Levy.***

Jointly Assessed Couples for income tax purposes are married couples or civil partners who elect to be jointly assessed. They have their income and deductions jointly calculated, which allows them to share their unused allowances and thresholds, so reducing their overall tax burden compared to being individually assessed. They are jointly and severally liable in respect of any income tax liability.



For the purposes of the Levy the only proposed allowance or threshold that could be shared by a jointly assessed couple would be the "Levy Free" amount. If jointly assessed couples were treated as jointly assessed for the Levy they would be jointly and severally liable as is the case for income tax.

#### QUESTION 10

Should couples who are jointly assessed for income tax purposes be treated as two separate individuals or a jointly assessed couple for the purposes of calculating the Levy?

Individually assessed/Jointly assessed

Please provide further information or comments that you may consider relevant

#### 3.5 SHOULD THERE BE A MAXIMUM AMOUNT PAYABLE AS PART OF THE NHS LEVY?

***Proposal - there should be a maximum amount payable, for example £5,000 for an individual or £10,000 for a jointly assessed couple, that is separate from the Tax Cap.***

As the Levy would be separate from income tax it would be payable by tax capped individuals in addition to their income tax cap, therefore, it may be reasonable to consider a maximum amount for the Levy.

The level of income whereby a maximum amount would become relevant will depend upon the "Levy Free" allowance. By way of example, if the "Levy Free" threshold were £14,750, an income of approximately £265,000 per annum for individually assessed individuals and £530,000 for jointly assessed couples would be required to reach a cap of £5,000 (or £10,000 for jointly assessed couple) if the Levy rate was set at 2%.

A cap of £5,000 per individual broadly aligns with the average healthcare spend per person on the Island.

#### QUESTION 11

Do you think it is reasonable for there to be a maximum amount payable under the Levy?

Yes/No

## QUESTION 12

If you do agree that there should be a maximum amount payable under the Levy, do you agree that the maximum should be £5,000 for individually assessed individuals and £10,000 for jointly assessed couples?

Yes/No

Please provide further information or comments that you may consider relevant

## 3.6 HOW COULD THE LEVY BE ASSESSED AND COLLECTED?

*Proposal - to reduce the compliance burden for individuals, and administration costs, the Levy could be assessed and collected like current income tax e.g. via the existing annual tax return process with employers deducting payments and/or payments being made via the existing Payment on Account system.*

The Levy would be:

- due and payable on 6th January following the year of tax assessment (the date on which income tax is due and payable)
- where possible subject to deduction at source by employers in essentially the same way as the Income Tax Instalment Payments currently works
- subject to a Payment on Account calculation (where all income cannot be taxed at source a payment on account notice may be issued which is due and payable on 6th January during the year of assessment).

## QUESTION 13

Should the Levy be paid in the same way as Income Tax?

Yes/No

Please provide further information or comments that you may consider relevant

### 3.7 RING-FENCING THE LEVY

***Proposal - the revenue raised from the Levy should be ring-fenced for health. This could be provided for in legislation.***

The revenue raised by the Levy could be ring-fenced for health in a similar way to National Insurance contributions or included in the Government's general revenue as is the case for income tax and VAT receipts. A proportion of all the National Insurance contributions received each year is allocated as a contribution to the health service; this is known as the "NHS Allocation".

#### QUESTION 14

Should the Levy be "ring-fenced" or should it be included in Government's General Revenue?

Ring-fenced / General Revenue

#### QUESTION 15

If in Question 14 you selected "ring-fenced", what health services should be funded by the additional amount collected?

### 3.8 ADDITIONAL AND ALTERNATIVE FUNDING

The cost of health is projected to grow above inflation year on year and the subsequent need to fund this growth in order to continue to maintain the current level of service is set out in the medium term financial plan as part of the Budget's Pink Book.

Government are continuing to develop a separate Immigration Health Surcharge to be applied to those moving to the Island on an immigration visa which will be treated separately to this proposed NHS Levy.

However, people can move here from within the Common Travel Area which includes the UK and Ireland without any permission or residency controls. Whilst they are not eligible for access to social housing or benefits until they have been resident for a set time period, they are able to register with a GP and access healthcare services. Some will be working and paying Income Tax and National Insurance contributions, but a small number of people do come to the Island to retire.

#### QUESTION 16

Would you agree that an annual Healthcare Surcharge could be applied to all new residents coming to the Island which would be in addition to the proposed NHS Levy?

(This would not be administered and collected by the Income Tax Division and a separate collection mechanism would be required)

Yes/No

#### QUESTION 17

Should this annual Healthcare Surcharge be imposed on everyone coming to live in the Isle of Man, or just on those who are less likely to be economically active (e.g. those who arrive without a work permit?)

Yes/No

Please provide further information or comments that you may consider relevant

## QUESTION 18

If you believe that the Levy as outlined is not the optimal approach to meet the cost of funding for health, please provide details of alternative suggestions.

Thank you for taking part in this important consultation to ensure the sustainable funding of our NHS now and into the future.