

# Is it time for a dedicated tax to fund the NHS?

February 8 2017

---

Is it time for a dedicated (hypothecated) tax to fund the NHS, asks *The BMJ* in a debate article today?

A dedicated tax is the only way that we can be sure the government is reflecting public wishes, argues Richard Layard, emeritus professor at the London School of Economics.

He points out that Britain currently spends less on health as a share of [gross domestic product](#) (GDP) than other countries at the same [income level](#) - and that nearly half of Britons say they are willing to pay for a better service and almost none want it cut.

"If, as in Germany, there were a dedicated source of funding for the healthcare sector, it would be much easier for public demand to be translated into action," he writes.

The alternative to hypothecation is to continue with alternating periods of famine and plenty, he adds. However, the Treasury has always objected to hypothecation "because it limits its flexibility to determine the overall pattern of public expenditure."

He proposes a revised system, where all National Insurance contributions go to health, based on an expenditure plan set out at the beginning of each parliament, bringing "welcome certainty" to the service. Higher contributions, partially offset by cuts in other forms of taxation, could be needed in order also to finance social care, he suggests.

"A reform of this kind would offer real hope to the [healthcare sector](#). It would have its own source of income and the public could judge whether more or less income was justified.," he concludes.

But John Appleby, chief economist at the Nuffield Trust, argues that a dedicated tax would not protect funding from economic uncertainty.

Some argue that a hypothecated tax would fix the lack of transparency between the raising of taxes and spending by government, he writes. But he believes there are many simpler ways to fix the tax-spend transparency problem (through providing information for the public on how taxes are spent, for example) without a major overhaul in the tax system.

Another argument presented for hypothecation is that it overcomes a general resistance to paying tax when it comes to things we like governments to pay for, such as healthcare, he writes.

However, he points out that the 2015 British Social Attitudes (BSA) survey suggested that while 93% of those asked thought there was an NHS funding problem, only a quarter thought the solution was a dedicated NHS tax, with a further quarter supporting the view that the NHS should find ways of coping with its existing budget.

And although general views on increasing taxes to spend more on things like the NHS and education have in recent years increased, "they remain slightly lower than support to keep taxes and spending the same," he adds.

"Current ways of making tax and spend choices are not by any means perfect and could be improved with, for example, more debate (informed by evidence) about what we want to spend on health and the trade-offs involved with other things we also want to spend our limited

resources on," he concludes. "But hypothecation only provides the illusion of an escape from such necessary argument and debate."

**More information:** Head to Head: Should GPs become NHS employees? [www.bmj.com/content/356/bmj.j471](http://www.bmj.com/content/356/bmj.j471)

Provided by British Medical Journal

Citation: Is it time for a dedicated tax to fund the NHS? (2017, February 8) retrieved 4 May 2024 from <https://medicalxpress.com/news/2017-02-dedicated-tax-fund-nhs.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--