

Social care

Ruth McKee

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Government's 'care Isa' plan dismissed by Tory health committee chair

Dr Sarah Wollaston labels as 'colossal mistake' proposed Isa where inheritance tax is axed



▲ Dr Sarah Wollaston said the plan only solved the care crisis for 'wealthy people who can afford to invest and whose families benefit from paying lower tax on their inheritance if not used for care'. Photograph: Martin Godwin for the Guardian

A senior Tory MP has dismissed proposals for a "care Isa" after it emerged that ministers were considering a tax-free personal savings scheme to cover the rising costs of caring for an ageing population.

Dr Sarah Wollaston, who chairs the Commons health and social care select committee, said the plans were "a colossal mistake" that would only serve as a solution "for a small minority of wealthy people".

The policy proposal for the new Isa, to be outlined in the government's upcoming social care green paper, would allow any unspent funds in the Isa after death to be passed on tax free to the holder's family.

At present, when an individual dies, any money left in an Isa investment is automatically rolled into their remaining estate, which is potentially subject to the inheritance tax rate of 40%.

By axing inheritance tax on the accounts ministers hope that it would encourage pensioners to hold on to their savings into old age, when they are more likely to need to pay for nursing homes and round-the-clock care.

But Wollaston dismissed the plans, revealed in the Sunday Telegraph, as little more than a way to help the well-off pay for their care needs.

Tweeting her frustration at the proposals, the Tory MP for Totnes said: "This won't solve the care crisis at all. There is no pooling of risk. It only 'solves' it for a small minority of wealthy people who can afford to invest and whose families benefit from paying lower tax on their inheritance if not used for care.

"Abandoning the centre ground & the will to tackle inequality is a colossal mistake."

The Conservative peer and former pensions minister Ros Altmann said the current **Isas** tax rules gave people a "perverse incentive" to spend their savings before they fall into ill-health.

After gathering figures which showed that more than 12 million over-50s have saved tens of thousands of pounds into Isas, Lady Altmann told the Sunday Telegraph: "As these figures are an average, many will have much more saved, which could usefully contribute towards their future care needs - unless they have spent it all by the time they reach later life.

"If you haven't spent your Isas before you pass away, the money will go into your estate and could be taxed at potentially 40% - so if you have large sums in Isas, there is the perverse incentive to spend them before you die.

"There is a real danger that those who have set aside these savings will really regret not having kept it for possible care needs when older.

"The majority of people do not realise the NHS will not be able to pay for their care."

Figures obtained by the paper show that more than 4.3 million people over the age of 70 have an average of £40,000 in Isas.

Wollaston, however, is urging the Treasury to look again at recommendations the select committee made on how to manage the social care budget.

Pointing out that the tax-free Isa scheme would only boost the care provision for the wealthy, she called for ministers to consider proposals outlined in the report drawn up jointly by the health committee and the housing, communities and local government committee.

The committees concluded that "an earmarked contribution, described as a 'social care premium', should be introduced, to which individuals and employers should contribute.

"This can either be as an addition to national insurance, or through a separate mechanism similar to the German model.

"The social care premium could be managed by central government, and audited by the National Audit Office, or managed separately by a statutory body or not for profit insurance based funds, as is the case in Germany."

A Department of Health and Social Care spokesman said: "Our green paper due in the autumn will set out our plans to reform the social care system to ensure it's sustainable for the future.

"In developing the green paper we are looking at how we can support people with the costs of their care in a way that is fair to all generations."



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