

How your long-term care contribution is calculated

The maximum long-term care contribution rate is 0.5 in 2015 and 1% in 2016 of your total income, but it's likely that your rate will be less than this.

The reason for this is that the calculation will take into account the allowances and reliefs you benefit from tax and also there is a maximum level of contribution an individual will pay that is linked to the Social Security Department's 'upper earnings limit'.

The following examples show the method that will be used to work out your long-term care contribution. You will be able to see the difference between the marginal relief, standard rate and upper income limit calculations.

You will always pay the **lowest** amount.

Long-term care rates 2015

Standard long-term care rate 0.5%

Marginal long-term care rate 0.65%¹

Social Security upper-earnings limit (UEL) £159,624

Tax rates, allowances and reliefs used in the examples

Standard tax rate 20%

Marginal tax rate 26%

Single exemption threshold £14,000

Married/Civil Partnership exemption threshold £22,400

Single over 65 exemption £15,600

Married/Civil Partnership over 65 exemption £25,700

Wife / Civil Partner 'B' working £4,500(max)

Child allowance £3,000(max)

Higher child allowance £6,000(max)

Enhanced higher child allowance £9,000(max) – marginal only

Single parent allowance £4,500(max)

Mortgage interest relief – marginal calculation only

Child care tax relief – marginal calculation only

'Why 0.65%?

The long-term care marginal rate is linked to the marginal tax rate which is 26%. The percentage is arrived at by taking the difference between the marginal and standard tax rate ($6/20 = 30\%$) and applying this to the standard long-term care rate.

Although this rate is higher than the standard rate of 0.5% in 2015, it reduces the long-term care contribution for lower income households. This is because the marginal calculation also takes into account the exemption thresholds and other deductions like child care tax relief, which you do not get at the standard rate.

Why is the marginal rate higher than the standard rate?

If the rate was the same then everyone would benefit. By having a different percentage, if your income increases the reduction in your bill you get from the marginal calculation gradually tapers away. When you look at the examples check the difference between the standard rate calculation and the marginal rate calculation. The difference between the two calculations is the marginal relief.

In 2015 you will never pay more than a 0.5% long-term care contribution on your total income.

[Find out about the marginal tax calculation](#)

Example 1



Single person with income of £14,000

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income	£14,000	Income	£14,000
		Less: exemption limit	£14,000
Sub-Total (allowances/relief):	£0	Sub-Total (allowances/relief):	£14,000
Income included in tax calculation	£14,000	Income included in tax calculation	£0
Income Tax payable £14,000 x 20%	£2,800	Income Tax payable £0 x 26%	£0

The actual tax payable is the lower of the two columns: **in this case they are not liable to tax**

Long-term care calculation

Income included in LTC calculation	£14,000	Income included in LTC calculation:	£0
LTC payable £14,000 x 0.5%	£70	LTC payable £0 x 0.65%	£0

The actual LTC payable is the lower of the two columns: **in this case they are not liable to LTC.**

Example 2



Single person with income of £16,000

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income	£16,000	Income	£16,000
		Less: exemption limit	£14,000
Sub-Total (allowances/relief):	£0	Sub-Total (allowances/relief):	£14,000
Income included in tax calculation	£16,000	Income included in tax calculation	£2,000
Income Tax payable £16,000 x 20%	£3,200	Income Tax payable £2,000 x 26%	£520

The actual tax payable is the lower of the two columns: **in this case £520**

Long-term care calculation

Income included in LTC calculation	£16,000	Income included in LTC calculation:	£2,000
LTC payable £16,000 x 0.5%	£80	LTC payable £2,000 x 0.65%	£13

The actual LTC payable is the lower of the two columns: **in this case £13**

Example 3



Single person with income of £30,000

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income	£30,000	Income	£30,000
		Less: exemption limit	£14,000
Sub-Total (allowances/relief):	£0	Sub-Total (allowances/relief):	£14,000
Income included in tax calculation	£30,000	Income included in tax calculation	£16,000
Income Tax payable £30,000 x 20%	£6,000	Income Tax payable £16,000 x 26%	£4,160

The actual tax payable is the lower of the two columns: **in this case £4,160**

Long-term care calculation

Income included in LTC calculation	£30,000	Income included in LTC calculation:	£16,000
LTC payable £30,000 x 0.5%	£150	LTC payable £16,000 x 0.65%	£104

The actual LTC payable is the lower of the two columns: **in this case £104**

Example 4



Single person with income of £70,000

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income	£70,000	Income	£70,000
		Less: exemption limit	£14,000
Sub-Total (allowances/relief):	£0	Sub-Total (allowances/relief):	£14,000
Income included in tax calculation	£70,000	Income included in tax calculation	£56,000
Income Tax payable £70,000 x 20%	£14,000	Income Tax payable £56,000 x 26%	£14,560

The actual tax payable is the lower of the two columns: **in this case £14,000**

Long-term care calculation

Income included in LTC calculation	£70,000	Income included in LTC calculation:	£56,000
LTC payable £70,000 x 0.5%	£350	LTC payable £56,000 x 0.65%	£364

The actual LTC payable is the lower of the two columns: **in this case £350**

Example 5



Married with joint income of £30,000

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income	£30,000	Income	£30,000
		Less: exemption limit	£22,400
		Allowance for wife working	£4,500
Sub-Total (allowances/relief):	£0	Sub-Total (allowances/relief):	£26,900
Income included in tax calculation	£30,000	Income included in tax calculation	£3,100
Income Tax payable $£30,000 \times 20\%$	£6,000	Income Tax payable $£3,100 \times 26\%$	£806

The actual tax payable is the lower of the two columns: **in this case £806**

Long-term care calculation

Income included in LTC calculation	£30,000	Income included in LTC calculation:	£3,100
LTC payable $£30,000 \times 0.5\%$	£150	LTC payable $£3,100 \times 0.65\%$	£20.15

The actual LTC payable is the lower of the two columns: **in this case £20.15**

Example 6



Married with joint income of £50,000

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income	£50,000	Income	£50,000
		Less: exemption limit	£22,400
		Allowance for wife working	£4,500
Sub-Total (allowances/relief):	£0	Sub-Total (allowances/relief):	£26,900
Income included in tax calculation	£50,000	Income included in tax calculation	£23,100
Income Tax payable £50,000 x 20%	£10,000	Income Tax payable £23,100 x 26%	£6,006

The actual tax payable is the lower of the two columns: **in this case £6,006**

Long-term care calculation

Income included in LTC calculation	£50,000	Income included in LTC calculation:	£23,100
LTC payable £50,000 x 0.5%	£250	LTC payable £23,100 x 0.65%	£150.15

The actual LTC payable is the lower of the two columns: **in this case £150.15**

Example 7



Married with joint income of £120,000

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income	£120,000	Income	£120,000
		Less: exemption limit	£22,400
		Allowance for wife working	£4,500
Sub-Total (allowances/relief):	£0	Sub-Total (allowances/relief):	£26,900
Income included in tax calculation	£120,000	Income included in tax calculation	£93,100
Income Tax payable $£120,000 \times 20\%$	£24,000	Income Tax payable $£93,100 \times 26\%$	£24,206

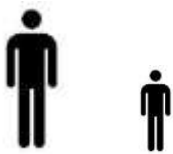
The actual tax payable is the lower of the two columns: **in this case £24,000**

Long-term care calculation

Income included in LTC calculation	£120,000	Income included in LTC calculation:	£93,100
LTC payable $£120,000 \times 0.5\%$	£600	LTC payable $£93,100 \times 0.65\%$	£605.15

The actual LTC payable is the lower of the two columns: **in this case £600**

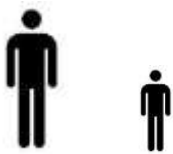
Example 8



Single parent with income of £20,000

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income	£20,000	Income	£20,000
Less:		Less: exemption limit	£14,000
Child allowance	£3,000	Child allowance	£3,000
Single parent allowance	£4,500	Single parent allowance	£4,500
Sub-Total (allowances/relief):	£7,500	Sub-Total (allowances/relief):	£21,500
Income included in tax calculation	£12,500	Income included in tax calculation	£0
Income Tax payable £12,500 x 20%	£2,500	Income Tax payable £0 x 26%	£0
The actual tax payable is the lower of the two columns: in this case they are not liable			
Long-term care calculation			
Income included in LTC calculation	£12,500	Income included in LTC calculation:	£0
LTC payable £12,500 x 0.5%	£62.50	LTC payable £0 x 0.65%	£0
The actual LTC payable is the lower of the two columns: in this case they are not liable			

Example 9



Single Parent with income of £30,000

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income	£30,000	Income	£30,000
Less:		Less: exemption limit	£14,000
Child allowance	£3,000	Child allowance	£3,000
Single parent allowance	£4,500	Single parent allowance	£4,500
Sub-Total (allowances/relief):	£7,500	Sub-Total (allowances/relief):	£21,500
Income included in tax calculation	£22,500	Income included in tax calculation	£8,500
Income Tax payable £22,500 x 20%	£4,500	Income Tax payable £8,500 x 26%	£2,210
The actual tax payable is the lower of the two columns: in this case £2,210			
Long-term care calculation			
Income included in LTC calculation	£22,500	Income included in LTC calculation:	£8,500
LTC payable £22,500 x 0.5%	£112.50	LTC payable £8,500 x 0.65%	£55.25
The actual LTC payable is the lower of the two columns: in this case £55.25			

Example 10



Married with 1 dependent child, after school child care costs £3,500 and joint income of £50,000

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income	£50,000	Income	£50,000
Less:		Less: exemption limit	£22,400
Child allowance	£3,000	Allowance for wife working	£4,500
		Child allowance	£3,000
		Child care relief	£3,500
Sub-Total (allowances/relief):	£3,000	Sub-Total (allowances/relief):	£33,400
Income included in tax calculation	£47,000	Income included in tax calculation	£16,600
Income Tax payable £47,000 x 20%	£9,400	Income Tax payable £16,600 x 26%	£4,316

The actual tax payable is the lower of the two columns: **in this case £4,316**

Long-term care calculation

Income included in LTC calculation	£47,000	Income included in LTC calculation:	£16,600
LTC payable £47,000 x 0.5%	£235	LTC payable £16,600 x 0.65%	£107.90

The actual LTC payable is the lower of the two columns: **in this case £107.90**

Example 11



Mortgage = £160,000 @ 4%

Single person with a mortgage and income of £40,000

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income	£40,000	Income	£40,000
		Less: exemption limit	£14,000
		Interest paid relief	£6,400
Sub-Total (allowances/relief):	£0	Sub-Total (allowances/relief):	£20,400
Income included in tax calculation	£40,000	Income included in tax calculation	£19,600
Income Tax payable £40,000 x 20%	£8,000	Income Tax payable £19,600 x 26%	£5,096

The actual tax payable is the lower of the two columns: **in this case £5,096**

Long-term care calculation

Income included in LTC calculation	£40,000	Income included in LTC calculation:	£19,600
LTC payable £40,000 x 0.5%	£200	LTC payable £19,600 x 0.65%	£127.40

The actual LTC payable is the lower of the two columns: **in this case £127.40**

Example 12



Mortgage = £240,000 @ 4%

Married with 1 dependent child, a mortgage and joint income of £60,000

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income	£60,000	Income	£60,000
Less:		Less: exemption limit	£22,400
Child allowance	£3,000	Allowance for wife working	£4,500
		Child allowance	£3,000
		Interest paid relief	£9,600
Sub-Total (allowances/relief):	£3,000	Sub-Total (allowances/relief):	£39,500
Income included in tax calculation	£57,000	Income included in tax calculation	£20,500
Income Tax payable £57,000 x 20%	£11,400	Income Tax payable £20,500 x 26%	£5,330

The actual tax payable is the lower of the two columns: **in this case £5,330**

Long-term care calculation

Income included in LTC calculation	£57,000	Income included in LTC calculation:	£20,500
LTC payable £57,000 x 0.5%	£285	LTC payable £20,500 x 0.65%	£133.25

The actual LTC payable is the lower of the two columns: **in this case £133.25**

Example 13



Single pensioner (over 65) with income of £20,000

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income	£20,000	Income	£20,000
		Less: exemption limit	£15,600
Sub-Total (allowances/relief):	£0	Sub-Total (allowances/relief):	£15,600
Income included in tax calculation	£20,000	Income included in tax calculation	£4,400
Income Tax payable £20,000 x 20%	£4,000	Income Tax payable £4,400 x 26%	£1,144

The actual tax payable is the lower of the two columns: **in this case £1,144**

Long-term care calculation

Income included in LTC calculation	£20,000	Income included in LTC calculation:	£4,400
LTC payable £20,000 x 0.5%	£100	LTC payable £4,400 x 0.65%	£28.60

The actual LTC payable is the lower of the two columns: **in this case £28.60**

Example 14



Married pensioners (over 65) with joint pension income of £35,000

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income	£35,000	Income	£35,000
		Less: exemption limit	£25,700
		Allowance for wife's earnings	£4,500
Sub-Total (allowances/relief):	£0	Sub-Total (allowances/relief):	£30,200
Income included in tax calculation	£35,000	Income included in tax calculation	£4,800
Income Tax payable $£35,000 \times 20\%$	£7,000	Income Tax payable $£4,800 \times 26\%$	£1,248

The actual tax payable is the lower of the two columns: **in this case £1,248**

Long-term care calculation

Income included in LTC calculation	£35,000	Income included in LTC calculation:	£1,600
LTC payable $£35,000 \times 0.5\%$	£175	LTC payable $£4,800 \times 0.65\%$	£31.20

The actual LTC payable is the lower of the two columns: **in this case £31.20**

Example 15



Married with joint income of £200,000 (one spouse has total income over the UEL)

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income (Spouse A £30,000 / Spouse B £170,000)	£200,000	Income	£200,000
		Less: exemption limit	£22,400
		Allowance for wife working	£4,500
Sub-Total (allowances/relief):	£0	Sub-Total (allowances/relief):	£26,900
Income included in tax calculation	£200,000	Income included in tax calculation	£173,100
Income Tax payable £200,000 x 20%	£40,000	Income Tax payable £173,100 x 26%	£45,006

The actual tax payable is the lower of the two columns: **in this case £40,000**

Long-term care calculation

Income included in LTC calculation	£200,000	Income included in LTC calculation:	£173,100
LTC payable £200,000 x 0.5%	£1,000	LTC payable £173,100 x 0.65%	£1,125.15

Upper income limit calculation: Spouse A £30,000 x 0.5% = £150. Spouse B £159,624 x 0.5% = £798.12 (max)

Spouse A + Spouse B = £948.12

The actual LTC payable is the lower of the calculations: **in this case £948.12**

Example 16



Married with joint income of £200,000, 2 children at university (one spouse has total income over the UEL)

Calculation A (Standard Rate)		Calculation B (Marginal Relief)	
Income (Spouse A £30,000 / Spouse B £170,000)	£200,000	Income	£200,000
Less: HCA × 2	12,000	Less: exemption limit	£22,400
		Allowance for wife working	£4,500
		EHCA × 2	£18,000
Sub-Total (allowances/relief):	£12,000	Sub-Total (allowances/relief):	£44,900
Income included in tax calculation	£188,000	Income included in tax calculation	£155,100
Income Tax payable £188,000 × 20%	£37,600	Income Tax payable £155,100 × 26%	£40,326

The actual tax payable is the lower of the two columns: **in this case £37,600**

Long-term care calculation

Income included in LTC calculation	£188,000	Income included in LTC calculation:	£173,100
LTC payable £188,000 × 0.5%	£940	LTC payable £155,100 × 0.65%	£1,008.15

Upper income limit calculation: Spouse A £30,000 × 0.5% = £150. Spouse B £159,624 × 0.5% = £798.12 (max)

Spouse A + Spouse B = £948.12

The actual LTC payable is the lower of the calculations: **in this case £940**