

A flat tax on the over 40s to pay for care would be dee...

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The Guardian [does this morning make reference to a government plan](#) to create a new tax. Given the Conservative Party's reluctance to tax this is, in itself, news. But, it would seem that there are major flaws in what they are proposing.

The idea is to have a new tax to tackle the problem of care in old age. Everyone (and the stress is on everyone) over the age of forty will, apparently, be required to contribute to this tax unless they can prove that they have got insurance to cover the costs of any likely care that they will require.

The flaws in this proposal become almost immediately apparent. Firstly, if, as suggested, the tax will be at 1.5%, this will be a flat tax. That is grossly inequitable, not least because those on low incomes have much lower chance of making a significant claim for care costs given that they have lower life expectancy.

Second, this is designed as a hypothecated tax, and they have massive flaws inherent in them, including the possibility that payments will not be made in the future because there will be 'insufficient in the pot'. This, then, it becomes an exceptionally easy way to impose cuts in spending.

Third, as the national insurance system has long proved, supposedly self-insured funds created through taxation do not work: our ability to predict long-term risk is simply not good enough to ensure that tax can be used in this way.

Fourth, this tax includes an opt out provision for the very wealthy. The precedent is extremely uncomfortable. The message is 'tax is for the little people'.

And, fifth, there is a much better basis for raising additional funds, if that is necessary, which is not proven in the current environment, when every pound withdrawn from consumption is going to simply increase the scale of unemployment. That alternative would be to increase the taxes due on investment income to address the flaws that already exist in the national insurance system which does not apply to unearned income from investments, meaning that this system does as a result unduly penalise

income from work. It so happens that such a tax on investment income would also be progressive, and charge those most likely to make use of long-term-care.

I welcome the fact that the government recognises that it has an obligation to deal with socially important issues. I do, however, regret the fact that it is proposing to do so in a way that is, in itself, deeply regressive. This proposal does not reflect good tax design. We can do much better than that.