

Treasury revises revenue from 50% rate

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[Treasury revises revenue from 50% rate - Accountancy Age.](#)

The Age says:

The Treasury is expecting to take much less from the new 50% rate of income tax than it first estimated, according to Treasury minister Lord Myners.

Speaking in the House of Lords yesterday the financial services secretary said the rate would still be beneficial in terms revenues, but suggested the full extent to which tax payers would avoid the new rate had not been correctly gauged in advance.

Oh dear: shooting oneself in the foot time Lord Myners.

As the Compass report showed and as the TUC have argued (and I admit, I influenced both) there are two simple solutions to this conundrum.

One can either set minimum tax rates when gross income exceeds a certain level (e.g. 32% at £100,000 of gross income and no amount of allowances or reliefs can reduce tax paid below that - equivalent to the US alternative minimum tax) or better, perhaps, simply limit the value of relief given to those earning more than £100,000 a year.

The average relief claim above the personal allowance for those earning £70,000 to £100,000 in the UK is about £5,000 a year. I see no reason why those on income in excess of £100,000 need to receive subsidy for their saving which is directly akin to additional state spending of more than that a year.

So, my suggestion is simple - limit the total value of reliefs a year to £5,000 and the 50% tax rate will work very well.

And yes some people will go each year - so what? As many will come here.