

Removing tax relief on Goldman's bonuses would pay half...

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Goldman Sachs [has paid massive bonuses](#). Bonuses so big that it is quite clear that the management of this investment bank have captured its profits for their own benefit at, at cost to the shareholders.

Assuming the UK pay is pro rata world pay total remuneration in the UK will be about £1.6 billion. But, as Robert Peston suggested yesterday, this is not split equally of course. It goes about 80 / 20 - i.e. 20% of staff get 80% of pay. So, that's average pay for 1,200 people of about £1.07 million - a total of £1.28 billion in all.

Now let's suppose that the UK took a simple and straightforward step - entirely in line with the ConDem's policy on pay, which is to say that maximum pay need not be more than 20 times minimum pay in the UK. The minimum wage works out to be around £12,000pa at present - so let's say for ease maximum pay should be £250,000pa. Anything above that is, I think, a profit distribution. Bob Diamond could not justify why pay of this amount was needed. Nor can I. In that case it is not incurred for the trade, I suggest. And in that case tax relief is not due on it.

Apply this rule to Goldman's in the UK and of the tootle pay of £1.28 billion to its senior staff and just £300 million of that pay would be subject to tax relief. That would mean that £980 million would not get tax relief, which at 28% tax would raise £274 million in corporation tax.

That's half the cost of the Education maintenance Allowance paid to well over 300,000 16 to 19 year olds whilst in education.

To put this another way - the tax relief on the excessive part of Goldman's bonuses to 1,200 people would be enough to pay for well over 150,000 young people to stay in education.

Isn't it obvious which is the better deal for the UK?

Extend the scheme to other banks and the whole EMA can be paid for.

So let's not pretend for a moment that the cash is not available. It is. The government is simply making the wrong choices. And it should be held accountable for them.