

The 50 p tax rate is raising revenue - as predicted

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As [Duncan Weldon notes on the Guardian blog](#):

The latest [public sector borrowing figures](#) have revealed an unexpectedly large surplus for January 2011. The Treasury repaid £3.7bn last month, surpassing expectations and representing the strongest month since July 2008 for the public finances.

But what drove the numbers? To the horror of the Tory right and proponents of trickle-down economics there is some evidence that it could be the impact of the 50p tax rate on earnings above £150,000.

The data shows that income tax receipts in January came in at £2.38bn — up by 17.8% on the year before. However receipts from national insurance contributions (NICs), which one would expect to move with income tax, rose by only 4.2% over the same period.

Last week's [labour market statistics](#) showed that there had been no improvement in the overall labour market with the percentage of people aged 16 to 64 in work being static at 70.5% between December 2009 and December 2010. The same report said that average weekly earnings had grown by only 1.1% over the past year.

So we have a mystery — the number of people in work is fairly constant, earnings have only increased by 1.1% and NICs are only up by 4.4% and yet income tax revenues are up by nearly 18%.

The most likely explanation is that higher income tax receipts partially represent the new 50p rate kicking in and raising revenue. How else to explain the figures? Receipts are up way in advance of earnings or employment growth.

Another nail in the coffin of the Laffer curve.

And the right wing who cry and say they'll leave every time tax goes up.

The evidence is clear. They don't. They pay. As some of us have predicted.