

Great news - Osborne looks at cutting higher rate tax r...

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I've long argued that the wealthiest in this country do far too well out of the tax system. In 2008 in the TUC publication 'The Missing Billions' I estimated that 570,000 people earning more than £100,000 a year between them enjoyed tax reliefs which one of them needed costing the state at least £8.4 billion a year ([page 32 here](#)).

One of the particularly absurd reliefs that those on higher rates of tax enjoy is pension tax relief at higher rates. Why the pension savings of the best off in the country have to be encouraged by being given a subsidy at least twice, and sometimes 2.5 times that given to the 90% who pay tax at basic rate has always been particularly baffling. The logic of any progressive tax system is that the least well off should benefit most. The logic of this tax relief is that those with greatest capacity to save (the best off) get the highest level of tax relief to do so - with the inevitable consequence that the gap in wealth between richest and poorest increases (even given recently introduced contribution caps) as a result of direct subsidies given to the richest by the state. It's absurd, for example, that a 50% tax payer can get a tax subsidy of £25,000 a year towards their savings from the state at present - which is more than average pay.

So for once I applaud news from the government - that it is looking to axe higher rate pension relief and save £7bn a year as a result.

It's a move that makes complete sense in this environment.

And it should be followed by caps on all other forms of savings subsidies and the abolition of all tax relief on gifts to charities at higher rate too - although in the latter case the saving should be directed to the charities.

So for once credit where it is due - if Osborne does this I'll give him full credit for it.

But, on his current track record expect the idea to be dropped by Tuesday.

Hat tip: [Frances Coppola](#)