

Entrepreneurs don't migrate because of taxation

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There are two more letters in the FT that are of sufficient public importance to be reproduced in full given the importance of the 50p tax rate in current debate.

The [first says](#):

Sir, I assume the group of economists who are calling for the [abolition of the UK's 50 per cent tax band](#) (Letters, FT.com, September 6) have carried out the necessary research to support their arguments. The required evidence would be: what proportion of those falling into the highest tax band are actually "highly talented entrepreneurs", as opposed to the "business people" who got us into the financial mess we are suffering in the first place, and what proportion of these genuine entrepreneurs have now fled the country?

Perhaps one of the professors could answer these questions. Without credible answers their letter will simply be regarded as an ideological petition in favour of the very rich.

Ian Rutledge, Hon Senior Research Fellow, School of Management, University of Sheffield

And the [second is more important still](#):

Sir, My colleagues' letter ([September 7](#)), which argues that the UK should abolish its [50p income tax rate](#), cites no evidence. Such evidence exists. It is not favourable to the authors' case.

The best-designed recent study, which also gives references to the research literature, is "Millionaire Migration and State Taxation of Top Incomes: Evidence from a Natural Experiment" by Cristobal Young and Charles Varner in the 2011 National Tax Journal. The authors examine what happened when New Jersey abruptly raised its income tax rate on those people with incomes above \$500,000 a year.

This is a helpful case study for those who wish to think about the design of UK tax policy because although the rise in the tax rate was fairly small, the authors' statistical

analysis is an unusually careful one and because it is easier for a person to move 30 miles from New Jersey to Pennsylvania (where the top rate of tax is then immediately 6 percentage points lower) than it is to move from the UK to another country.

The study finds that the effect of the New Jersey “natural experiment” was, in the authors’ words, minimal. Yes, the data reveal that there was some out-migration, but it was tiny. Moreover, the migration occurred among the retired and those living on investment incomes. The study did not find that entrepreneurs were pushed out of an area by a rise in the top rate of income tax.

Andrew Oswald, Professor of Economics, University of Warwick, UK; Senior Advisor (Research), IZA Institute, Bonn, Germany

The report Andrew Oswald [refers to is here](#), and he accurately summarises its findings in my opinion.

In other words, pensioners move in retirement, which is hardly news: they always have. Entrepreneurs and people in employment hardly do at all, based on a very large survey of data, a serious tax increase and the opportunity to avoid it by moving 30 miles down the road.

Shall we now say the case is closed? And that the 20 economists who wrote to the FT were wrong?

But will the BBC now give prominence to that fact? That's the question.