

Should the 50p tax rate be abolished

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I have the following on [Comment is Free this afternoon](#). I do so in a double-header article against a proponent of the abolition of the tax rate. Please leave comments on CiF as well as here on what she has to say:

The 20 economists calling for the abolition of the UK's 50p income tax rate are wrong to do so.

The reality is that this tax rate will raise £2.7bn to close the UK's fiscal deficit caused by the failure of UK banks — for which many who have incomes of more than £150,000 a year, and so pay this tax rate, work.

It's also true that while the UK undoubtedly needs tax cuts to stimulate the economy, a cut in the 50% tax rate is probably the least likely to do this. Cutting it will boost savings, of which we already have a glut, or house prices in the south-east, which are already too high. There's little or no chance it will stimulate spending.

Nor will it boost entrepreneurship, which is about people taking risks and creating companies. Most people earning £150,000 a year do neither. They speculate for banks and pension funds using other people's money (where, let it be noted, most have been so successful that their average rate of return in the last decade has been about zero at best) or they rise through the ranks of multinational corporations, enjoying secure employment and large pensions until appointed to positions where they can distort pay and rewards in their own favour. As a result their main contribution to society is, in fact, to increase the income and wealth gaps, which we know produces worse outcomes for all.

So that's not entrepreneurship. Entrepreneurship which leads to growth, new business and new jobs is done in small companies by people who often work for long periods for nothing (and so pay little or no tax). Their income is usually sheltered in companies — and those companies only pay tax at about 20%. The 50% tax rate is no disincentive to real entrepreneurship.

So how did so many economists get this so wrong? Because they think accumulating cash through manipulating markets is wealth creation. Well, as someone who has been an entrepreneur: they're wrong. What is more, the last thing entrepreneurs worry about is tax. They take risks and create businesses just because, like those who climb mountains, they need to do so.

The person who claims they're put off by tax is not an entrepreneur at all — they just want to accumulate cash. The UK Exchequer is justified in asking for a fair share back to ensure it can provide the support needed to the real wealth creators in the UK — very few of whom make £150,000 a year.