

Why it's impossible that the 45p tax rate will cost just £100 million a year

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The OBR and government is saying that the cost of cutting the 50p rate to 45p is just £100 million a year ([here, page 50](#)).

So, let's look at the data I used from HMRC for the current tax year to estimate the revenue HMRC raise from the 50p tax rate. This looked like this:

Table 6 HMRC forecast data 2011-12

Range of total income (lower limit)	Average income of those in band	Part of income subject to 50% tax rate on average	Additional tax due per tax payer as a result of 50% tax as opposed to 40% tax	Number of taxpayers in income bracket	Total potential additional tax due as a result of operation of 50% tax rate
£ 150,000	£ 169,427	£ 19,427	£ 1,943	109,000	£'m 212
200,000	287,342	137,342	13,734	156,000	2,143
500,000	675,862	525,862	52,586	29,000	1,525
1,000,000	2,228,571	2,078,571	207,857	14,000	2,910
				308,000	6,789

I stress, this is all based on HMRC data on income, taxpayers and what tax they pay.

Let me just concentrate on those earning over £1 million a year for a moment. They have an average of a bit over £2 million of income subject to the 50p tax and as the nad will be the same for the 45p rate (with fewer allowance offsets permitted) the income will be near enough the same for that rate.

So 5% of that sum will be lost for 14,000 people. That just over £1.45 billion lost revenue from this group alone.

Now how come in that case the tax lost is just £100 million according to HMRC, the government and OBR unless someone is telling the most amazing porkies.

Take the rest into account and the oss is liklely to be £3 billion.

Rarely have we had a budget where such a large lie has been told by someone in such high office for the sake of giving so significant a tax cut to so few.