

Could the Treasury be falsifying the data on the 50p ta...

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I have been musing on how and why [HM Revenue & Customs might suggest](#) that the 50p tax rate does not work and has only raised a few hundred million, [not the £6.7 billion](#) data [published by HMRC last year implied](#).

Let me offer a cynical explanation that might do just that, and which would imply fraudulent manipulation of data by the Treasury. My data source is table 2.5 of HMRC's stats. This shows the number of people whose top income falls into various income brackets, one of which conveniently starts at £150,000. The estimates (and admittedly most of this data is estimated - although why is hard to tell - and indicates an appalling lack of analysis by HMRC) are as follows:

	Tax year	People earning over £150,000	Total income of those earning over £150,000
Average			

£'m £

2007-08	319,000	115,900	363,323
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2008-09	320,000	116,500	364,063
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2009-10	314,000	113,200	360,510
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2010-11	328,000	112,200	342,073
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2011-12 358,000 122,800 343,017

Notice that enormous jump in 2011/12? Isn't that odd? It is assumed that 9.1% more people come into this bracket that year, and earn 9.6% more as a result.

As I've shown, that data for 2011/12 implies total 50p tax rake of some £6.7 billion. [The workings are here](#) and in detail look 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

The number in the £150,000 bracket is smaller by the way because I've allowed for the fact that not all in this band actually pay tax at 50p etc due to pension contributions and so on.

But now let's suppose the Revenue's very odd forecast of significant growth in the number of very high earners - a trend that runs counter of course to experience across the economy as a whole - turns out to be wrong. Suppose that instead of this group growing by 30,000 in the year it hardly grew at all, as seems plausible. And their income did not grow by £10 billion in total as a result. What then?

Suddenly HMRC have a basis for forecasting that the 50p tax rate has resulted in a massive fall in the number of taxpayers paying at the top rate and that £10 billion of income fell out of tax as a result so that whilst the rate collected over £5 billion in all (as the 2010/11 data implies) the disincentive of the rate has cost about £5 billion (50% of £10 billion) and so as a consequence it net raised almost nothing at all.

That wouldn't be true at all though. It would in fact be a fabrication. It would not even be an elaborate fabrication. The forecast data for 2011/12 looks wrong the more I think about it: I just don't believe there would ever have been that growth in the number of top rate tax payers. In fact it just looks like a fabrication. And now we see its purpose.

So was the number inflated for this reason? It's possible. But if it was then the argument that there's been a disincentive is also wrong. There would have been none. The true figure raised would simply have been £5 billion or thereabouts with no real disincentive effect, and not the £6+ billion that the 2011/12 data implies.

To put it another way - we have to be prepared for a pack of lies over the next few days because that's what I'm expecting we'll get.