

Funding the Future

The OBR data confirms my estimates of tax to be raised ...

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I have written extensively on the 50p tax rate and [came up with the biggest estimate published](#) on how much the Revenue would raise from it - based wholly on their own figures. That figure was a sum of more than £6 billion.

Now we know the government, HMRC and the Office for Budget Responsibility do not agree. So why is that?

Well, let's look at [the reconciliation table published by the OBR](#), which looks like this:

	Outturn 2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
	£ billion Forecast						
Liabilities Basis							
Underlying Impact of 50p rate:							
Original costing, OBR estimate June 2010 (TIE=0.35)	0.0	2.5	2.5	2.7	2.9	3.2	3.5
Current costing ¹	0.0	0.7	0.6	0.6	0.7	0.7	0.8
Difference	0.0	-1.8	-1.9	-2.1	-2.2	-2.5	-2.7
Forestalling ahead of introduction of 50p rate ²	6.1	-5.0	-1.4	-0.6	0.0	0.0	0.0
Underlying impact of move to 45p rate	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1
Reverse forestalling of 45p rate ²	0.0	0.0	0.0	-3.4	3.3	0.0	0.0
Total Effect	6.1	-6.8	-3.3	-6.1	1.0	-2.6	-2.8
National Accounts Basis							
Underlying Impact of 50p rate:							
Original Costing, OBR estimate June 2010 (TIE=0.35)	0.0	1.3	2.9	2.6	2.8	2.9	3.2
Current costing ¹	0.0	0.5	0.7	0.6	0.6	0.8	0.7
Difference	0.0	-0.8	-2.2	-2.0	-2.2	-2.1	-2.5
Forestalling ahead of introduction of 50p rate ²	4.4	-1.5	-2.9	-0.5	-0.6	0.2	0.0
Underlying impact of move to 45p rate	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1
Reverse forestalling of 45p rate ²	0.0	0.0	0.0	-2.4	0.9	1.7	-0.4
Total Effect	4.4	-2.3	-5.1	-4.9	-1.9	-0.2	-3.0

¹ Based on the current estimated cost of a reduction in the rate from 50 per cent to 40 per cent.

² Includes behaviour on forestalled income.

So what we learn is that the effect of the tax in 2010/11 was negative - but only because £6.1 billion it may have raised in 2010/11 and after was shifted into the previous year, for reasons Channel 4 have explained.. £5 billion of that was lost in 2010/11. So but for that shifting the tax would have raised the £0.7 billion they say it did raise (which, by the way, out of more than £40 billion paid by those with income over £150,000 is an impossibly small ratio) plus £5 billion. Or £5.7 billion in all, at least.

The shifting could not have happened again in 2011/12 - the year for which I prepared my estimate. That would be impossible. The tax could not have been introduced twice! Despite that the yield is actually assumed to go down in 2011/12 - something that seems so implausible that no reasonable basis it could possible be constructed. In that case let's dismiss this forecast as a fabrication and stick to the 2010/11 data of what should be now known tax collected plus tax known to be avoided on a one off basis and the revenue but for that one off avoidance would have been £5.7 billion in a year when I forecast it would be between £5 and £6 billion.

In other words, this data looks to confirm all I said and [confirms I was right, here](#).

It also confirms that these forecasts are now simply a matter of make believe. And that is confirmed in the OBR report where they say:

The assumption that the behavioural response to the 50 per cent rate is more powerful than the original costings assumed means that the cut to 45 per cent appears less expensive than it would have done under the original assumptions.

In other words now there are Laffer curve fans in charge it's assumed that this tax collects no revenue. That's not fact. That's assumption and nothing more. Or the lies restatements that I suggested would be made.

Sticking to the facts it should have raised £5.7 billion in 2010/11 which is consistent with my estimate of £6.7 bn in 2011/12 and I therefore maintain my figures to be right and that my estimate of the loss from introducing the 45p tax rate - which will be about £3 billion - is also right.

Which also means that the abolition of this tax rate is a straightforward gift to the rich - as I always predicted it would be.