

The TUC and the 50p tax rate

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The TUC has issued a new report by me tonight on the 50p tax rate. [As they say about it:](#)

People earning £150,000 or more enjoy tax breaks worth more than the annual salaries of nearly eight million workers, according to a new TUC report published today (Thursday).

The report Is 50/50 fair? — authored by tax specialist Richard Murphy — shows that around 300,000 people in the UK (around one per cent of the population) earn at least £150,000 and therefore have part of their earnings subject to the 50p tax rate.

The report uses the latest available HMRC data to estimate that taxpayers on the 50p rate enjoy tax breaks worth around £3.5bn — or £15,000 each. Government statistics show that around 31 per cent of workers in the UK (7.8 million people) earn less than £15,000 a year.

Critics of the 50p tax rate often argue that it has forced people to leave the country. However, the report argues that as the vast majority of 50p rate taxpayers are either employees or self-employed with UK-specific skills, opportunities to move abroad are limited.

Another argument made for scrapping the 50p tax rate — it is apparently causing people to work less — is insulting to hard-working wealth creators and contradicts the government's own policy on work incentives, says the TUC.

Under Universal Credit, the radical welfare reform which the government claims will 'make work pay', millions of basic rate taxpayers will keep just 24 pence of every extra pound they earn due to a loss of tax credits and benefits.

If low-paid staff are expected to work more despite marginal tax rates of 76 per cent, then people earning over £150,000 with lower marginal tax rates and far higher incomes should have more than enough motivation to work, says the TUC.

Is 50/50? Fair uses HMRC data to estimate that the 50p tax rate could raise more than the £3bn originally forecast by the Treasury. It also shows that any shortfall in revenue is likely to be down to tax avoidance, rather than people leaving the country or doing less work, and the Chancellor should use his Budget this month to close any lucrative loopholes exploited by the richest one per cent of earners.

The TUC is calling on the Chancellor keep the 50p tax rate and use his Budget to clamp down on tax breaks and loopholes by the super-rich by:

- * Restricting total allowances and relief for those earning over £150,000 to the maximum average level claimed by those earning less than £150,000.*
- * Bringing capital gains tax into line with income tax to prevent people, particularly those in one person companies, converting pay taxed as income into low-tax capital gains or profit.*
- * Introducing a comprehensive general anti-avoidance principle to clamp down on tax dodging by multi-national companies.*

*TUC General Secretary **Brendan Barber** said: “Apologists for the super-rich claim that the 50p tax rate is causing them to do less work, and worse still flee the country.*

“What they don’t say is that most of them are enjoying tax breaks worth more than nearly eight million people earn in a year.

“The 50p tax rate is a fair tax that should raise much-needed revenue to pay off the deficit. If it fails to raise enough money then the government should be attacking the lucrative loopholes that allow people to dodge it, rather than the tax itself.

“Given the super-rich are so concerned about the incentive effects of the 50p tax rate, it is curious that they are silent about the plight of millions of low-paid workers who will only get to keep 24 pence of every extra pound they earn as a result of the government’s welfare reforms.

“The truth is that calls to scrap the 50p tax are about the richest one per cent trying to dodge paying their fair share of tax — and about making everyone else pay more instead.”