

Pension tax relief costs Â£50 billion a year

Published: January 13, 2026, 4:03 pm

The cost of subsidising UK pension tax relief has reached £50 billion a year. The following table, issued earlier this year, [has been re-issued by the government today](#):

The relevant figures are £34.8 billion tax and £15.2 billion NI from right hand column.

It's long been my suggestion that this relief should be abolished at higher rates. The new stats provide no estimate that I can see of what this cost is (but if anyone else has found it, please point it out).

What I have also argued is that a condition of this relief is that 25% of all contributions - likely to easily exceed £80 billion pa - should be invested in job creation programmes. It is impossible to specify that these must be in the UK but the availability of specific infrastructure bonds would make this incredibly easy to link to investment in UK sustainable growth. £20 billion a year would transform that.

So why is no one adopting the idea? Is it another case of cowardly politics where it is too risky to demand that pension funds be used for social good rather than funding speculative bubbles?