

High pay, tax relief and social justice

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One of the themes that came up at the talk I gave in Hebden Bridge last night was pay rates, and in particular pay differentials.

The opinion was quite firmly expressed by some in the audience that high pay needs to be addressed. What was clear was that high pay was considered to be what many in the South East think of as middle incomes.

I admit I do not have problems with senior public servants being fairly rewarded, although I do have major problems with council chief executives and others being paid a great deal more than cabinet ministers. I agree that issue needs to be addressed, and the tax system could be used to suppress market rates of pay at the higher end.

One way to do that is to make employer's NIC progressive i.e. the rate increases with pay. Over £100,000 rates could increase, significantly, for example. The cost of high pay would be increased.

Another way would be to remove corporation tax relief on the payment of salaries above a fixed level. I have long suggested that no tax relief should be given on a salary payment over around £250,000 a year, which is about ten times median pay.

But I also think it vital action also be focussed at the lower end of pay scales because change is really needed there. The living wage is not high enough. And it is not mandatory. Britain really does need a pay rise - as the unions have been saying for a long time. It would have the curious and welcome benefit of reducing many social security claims as well.

So action is needed - but across the board, and not just at one end. And I do think we would be a wealthier society if we took such action. Including at the top end of income earning. The truth is that there pay is all about status and not worth. And status envy is really destructive for all engaged in it. Those who raised the questions were not. They were looking for justice.