

Capping tax relief on FTSE 100 directors' pay could rai...

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As the [FT has reported this morning](#):

Chief executives of Britain's top-100 listed companies earned 183 times the salaries of the average UK worker last year in spite of several large shareholder rebellions against corporate pay packets.

According to a report by the High Pay Centre released on Monday, the average pay for a FTSE 100 chief executive rose to £4.96m in 2014, up from £4.12m in the year before.

I would add that this is also despite the fact that these CEOs are by and large so lacking in imagination that they share the trend of their US counterparts to not invest but to instead accumulate what [Gillian Tett has called 'zombie piles of cash'](#). That rather defeats the skills based argument for a 20.4% pay rise in a year.

There are four ways to address this deeply harmful increase in the income divide in the UK that is indicative of our fracturing society that a few wish to applaud. The first is to embarrass CEOs into reform. I don't see that succeeding.

The second is to change company law so that shareholders can have a real say on such issues. In particular, it may be possible to set a statutory maximum ratio for the pay differential that can apply of, say, 25 that can only be over-ridden if, perhaps, 60% of all shareholders vote with at least 40% of all shareholders in total then in favour.

Third, there are pay caps, but I don't see these working.

Finally there is a bit of tax reform that I have long advocated. I have suggested, and the TUC has supported the idea, that no corporation tax relief should be provided on any payment made in excess of ten times median pay by any company to any person in the UK. Average pay (and I am not sure if this is the median or mean: [the ONS do not say so in this release](#)) is £488 a week including bonuses, or £25,376 a year. So tax relief on all pay over £253,760 would not be given right now: call it £260,000 for ease.

The impact of this is obvious. If average CEO pay is £4.96 million and is at present

subject to tax relief at 20% then the corporation tax saving is £992,000. Reduce the tax relief to being on just the first £260,000 of this sum and the additional corporation tax payable is £940,000.

Let's assume there are four executive directors per FTSE 100. Let's then assume the other three all earn half what the CEO does i.e. £2.48 million. For each of them the corporation tax cost of my proposal would be £444,000. The cost per company assuming no-one else was paid above £260,000 (which is way wide of the mark in many cases) would be £2,272,000, or £227 million across the FTSE 100.

Now that liberates some zombie cash for social purposes. Would anyone like to suggest what that sum might be used for?