

Tax reform of the day: reduce the rate of national insu...

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To continue [my series on reforms a progressive government should introduce in the UK](#), this one should make complete sense. And for those who wonder why I do not say get rid of national insurance altogether, or simply cut it out for lower-paid employees, this suggestion presumes that we keep the contributory principle within the social security system. If that changed, so would this recommendation:

Reducing the rate of national insurance for those on low earnings

Those on low earnings in the UK face very high marginal rates of tax because of the interaction of the income tax, national insurance and benefits systems, whichever version might apply to them. There is no easy answer to this problem, but one option that would help would be to apply a lower rate of national insurance to the first £10,000 of earnings subject to national insurance. National insurance is payable on earnings over £6,136 per annum in 2019/20, which is less than half the level at which income tax starts to be charged. The usual rate charged is 12%. If this was reduced to 4% for the first £5,000 of earnings and to 8% for the next £5,000 then it is likely that a valuable, if small, contribution to solving this problem would be made, and a clear political message would be delivered.