

Funding the Future

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I published this video on TikTok this morning.

As I noted on Twitter:

Why does the average higher rate tax payer get more subsidy for their pension savings each year than anyone on Universal Credit is paid and many old age pensioners get per annum? What is the sense in that? And where is the fairness?

<https://www.youtube.com/watch?v=z3MDfYoGfG4>

The transcript is as follows:

People who are wealthy in the UK get benefits of, on average, at least £8, 000 a year. Why is that? And why is that fair?

Now let's be clear what I'm talking about. The benefits that the wealthiest people in the UK get on average, and I stress that 'on average' point, relate to the pension contributions that they make to their pension funds every year.

The total cost of the tax subsidy to those who are wealthy in terms of the pension contributions that they make amounts to at least £38 billion a year. At the time that I was doing the data and in the year that that information relates to, there were around 4. 4 million higher rate taxpayers - there are more now, but the data on tax relief costs will have gone up as well - that's an average of over £8,000 pounds a year for each and every one of them.

Now, of course, some of them don't pay anything into a pension and some of them pay a great deal more than average into a pension. But we're still in the situation that they get benefits of more than £8,000 a year each on average.

Compare that to a person who's on the old estate pension scheme. This year, they're going to get around £8,800 a year in pension.

Compare that to a person who's on the new state pension scheme, which applies to younger state pensioners. They get £11,500 a year.

Compare it also to a person who's on Universal Credit. A single person who's on Universal Credit and is over the age of 25; they get around £4,800 a year.

So why are we giving such an enormous amount of money to the wealthy to subsidise their pensions when there are people who are living in poverty in the UK who have such small amounts to live on?

It makes literally no sense at all. So, I've made a straightforward recommendation in the Taxing Wealth Report, and that is that the tax relief on the contributions that the wealthy make to their pensions should be reduced to the basic rate of tax. At present, they get that tax relief at either the 40 percent tax rate or even the 45 percent tax rate if they are earning over £125,000 a year.

If we reduce that to the 20 percent tax rate, which the 85 plus percent people in the UK pay in terms of income tax, then we would save £12.5 billion a year of the cost of subsidising the savings of the wealthy. And that will be enough to give every single old age pensioner in this country an extra £1,000 of income a year.

Now, which is better? That we subsidise the wealthy, or we give those who are in need a bigger pension? I think the answer is glaringly obvious. It's even obvious for the economy as a whole. Because those pensioners would spend that money and give a massive boost to the economy, literally lift growth, and deliver a better outcome for everybody in society, including the wealthy, because we'd all be better off because of their spending.

This current structure of giving subsidies, benefits if you like, to the wealthy for their pensions does not make sense. We have to create a fairer, better and more honest and accountable system where people know just how skewed our society's system of benefits is towards those with wealth. It's unfair. It has to end. And I'm suggesting to you that you should be asking your politicians about how they will deliver better outcomes for us all.

There is more on this in the Taxing Wealth Report 2024, [here](#).