

Pension benefits for the wealthy are, on average, more ...

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There are varying estimates of how much total benefit payments to people who have some form of disability, or who are paid benefits relating to their health, actually cost per annum. Figures I have seen vary between £66 billion a year and £75 billion a year. As a matter of compromise, let's put that figure at around £70 billion a year.

Now let me, for a moment, draw attention to the fact that the UK effectively spends £70 billion a year subsidising the total cost of pension tax relief for those who are saving for their old age. That figure is made up of reliefs available in income tax, for national insurance purposes, in the corporation tax system and on the tax-free accumulation of money with pension funds.

And, this cost of pension tax reliefs is a real cost, because when pensions are paid out, they are usually subject to tax at a much lower rate than the tax relief was given at, and no national insurance is paid, whilst, of course, corporation tax has no involvement at that time. What is more, one quarter of the pension paid is tax-free. So, before any pedants jump in and say that is no real cost to this tax relief, that claim is completely false.

In that case, the cost of benefits paid to those who cannot work because of conditions relating to their health or disabilities is, in real terms, near enough, the same each year as the cost to the government of subsidising pension tax reliefs.

That is, however, one very big difference. Based on data from the [Office for National Statistics](#), I estimate that the wealthiest 10% of households in the UK own 39.8% of total UK pension wealth. Another 21.9% is owned by households in the ninth decile ranked by wealth. In contrast, the bottom half of households, as ranked by wealth in the UK, own just 9.5% of total pension wealth, and the bottom 70% of households own 24.6% of pension wealth.

The result should be very obvious. Pension tax relief is a benefit going to the wealthiest households. In fact, using this data, the average household in the top 10% of all households ranked by wealth probably gets a subsidy to increase their pension wealth,

costing more than £9,900 a year. That provided them with a direct subsidy from the UK state to enhance their wealth, each and every year.

They do not have to make an appeal for this money. In truth, they don't even have to submit documentation to prove their entitlement to claim. All they have to do is put a figure on a tax return. Then, the relief that they get costs on average a little more than the £9,747 a year that is the maximum Personal Independence Payment (PIP) allowance available in England and Wales at present.

What that means is that the average cost of the tax relief for pensions for the average household in the top percent 10% of households ranked by wealth in the UK is bigger than the maximum Personal Independence Payment, which people often have to struggle for up to 2 years to claim, and which then very often leaves them little above the poverty line, because the payment does not increase their income, it simply covers their costs.

My point is very simple and very straightforward at this moment. This is not just unfair, it's obscenely unfair.

What is more, if there were to be any element of justice in what Labour is doing, it should be questioning why tax relief for the wealthiest is being maintained, but essential payments to support those in need are being cut. But that is not happening. Those questions are not being raised.

If you want evidence that we live in a society that is biased to the wealthy, who assume that they have an entitlement to the support from the state that they receive, and who are deeply prejudiced in far too many cases against those who are making benefit claims to simply survive, then this is it. And, it's deeply upsetting that Labour is going along with this when the option to change the tax relief available to the wealthy exists.

There is, of course, more detail on this in the [Taxing Wealth Report](#).

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [here](#).