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## Would moving to flat rate pension tax relief be fairer to low earners? ROS ALTMANN replies

By [ROS ALTMANN](#)

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*It seems unfair to me that the well off can save into a pension fund and get 40 per cent tax relief, but the lower earners can only get 20 per cent tax relief.*

*Does the new government have any plans to address this? I think a 33 per cent tax relief for all pension contributions would be fair. PL*

**Ros Altmann, a former Pensions Minister who now sits in the House of Lords, replies:** Government spends over £70billion a year on pension tax breaks.

These are enormous sums which need to be spent wisely.

The vast majority of this cost is tax or National Insurance foregone on contributions (with small amounts coming from tax-free income and capital gains for all pension funds).

Many people believe the current system does not represent good value for taxpayers, especially as British pension funds invest mostly overseas, so the money helps other countries, rather than our own.

It is also suggested that pensions tax relief works the wrong way round.

The highest earners receive far more than the lower-paid for each pound they put in.

From a social perspective, one would think lower earners need most help to make pension contributions as they struggle more to set aside money for their long-term future than high-earners.

However, with any progressive tax system, where those on higher incomes pay higher rates of tax, a system based on tax relief will be more generous to the higher-paid.

It may seem counter-intuitive to give a more generous subsidy for those with the highest incomes.



**Fairer system? Should all savers get pension tax relief at the same rate**

At the very least, one might think it is fairest to give the same taxpayer top-up for the same amount of contribution, regardless of someone's income.