

Kwasi Kwarteng considering removing cap on bankers' bonuses as part of City shake-up

Chancellor Kwasi Kwarteng is considering removing the cap on bankers' bonuses in a bid to stop a brain drain of top City executives to other international financial centres including Paris.

The cap, introduced by the EU in 2014 in response to the 2008 financial crash, restricts bankers' bonuses to twice their salary.

Although removing it will be seen as insensitive at a time when millions of households are facing a cost of living crisis, Mr Kwarteng is understood to want to scrap the cap to demonstrate the UK's freedom to rip up EU regulations after Brexit and to boost economic growth.

The Standard understands the Chancellor also wants to remove the cap to make the City more attractive to top financial sector workers who may be lured to other global finance hubs such as New York and Frankfurt and Paris.

The French government offers foreign bankers incentives which allow them to treat 30 per cent of their net salary as an "in-patriation bonus", which is tax free.

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Mr Kwarteng is preparing to announce plans to reverse the 1.25 percentage points rise in National Insurance and to scrap a rise in Corporation Tax from 19 per cent to 25 per cent next year in a mini Budget expected next week.

Although the Chancellor and Prime Minister will present the move as part of their agenda to turbo charge economic growth, it will meet stiff resistance from Labour and other opposition parties.

Following reports in June that then Prime Minister Boris Johnson was considering removing the cap, the Labour leader Sir Keir Starmer said his “new approach” was “pay rises for bankers, pay cuts for district nurses”.

Meanwhile No 10 has said an energy price freeze for businesses facing spiralling bills will be backdated to October, amid concerns it could be delayed.