

Labour would scrap Chancellor's 'gilded giveaway' to wealthy pensions savers

Labour has pledged to scrap Jeremy Hunt's "gilded giveaway" to higher earners as the Chancellor defended his multi-billion pound tax break on pensions savings.

Mr Hunt said the abolition of the tax-free cap on the lifetime pensions allowance included in his [Budget](#) was needed to keep doctors in work as the NHS spends billions on agency staff.

But Labour said it will reverse the "pensions bung for the 1%" if it wins power – amid criticism from economists the "hugely wasteful" measure will cost £80,000 per worker.

The move to scrap the allowance standing at £1.07 million will end up costing more than a billion pounds per year and, it is estimated, prevent 15,000 people from retiring early.

Mr Hunt defended not limiting the move to doctors, telling BBC Breakfast: "The other options, if we had a scheme that was just for doctors, it would actually be more aggressive because what we've announced doesn't help the very wealthiest doctors."

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“The NHS at the moment spends about £3 billion a year paying for locum doctors and agency nurses because of these staffing shortfalls. This will help to reduce that; it will free up more resources.”

He told Times Radio it was “rather bizarre” to say his Budget had been aimed at the wealthiest 1%, as he cited his energy price guarantee extension and fuel duty freeze.

The cost-of-living support package “dwarfs any of the other single measures that we’ve done”, he argued on BBC Radio 4’s Today programme, but he could not say how many doctors would be encouraged to return to work or take on extra hours thanks to the pensions changes.

“It is impossible to know the exact number,” he said.

Mr Hunt has argued the move, forecast to cost £2.75 billion over the next five years, is needed to boost economic growth by easing labour shortages.

Economists at the Resolution Foundation said the “unneeded tax break for wealthy pension savers” will cost around £80,000 per person encouraged to stay in their jobs.

And it said a tax giveaway on such a scale could see some workers choosing to retire early or using their now uncapped pensions savings to avoid inheritance tax.

Torsten Bell, the think tank’s chief executive, said: “It’s a big victory for NHS consultants but poor value for money for Britain.”

Labour vowed to “reverse” the move if it wins the next general election and replace it with a scheme targeted at doctors rather than a “free-for-all for the wealthy few”.

Shadow chancellor [Rachel Reeves](#) said: “The Budget was a chance for the Government to unlock Britain’s promise and potential. But the only surprise was a one billion pound pensions bung for the 1%, a move that will widen the cost-of-living chasm.

“At a time when families across the country face rising bills, higher costs and frozen wages, this gilded giveaway is the wrong priority, at the wrong time, for the wrong people.”

Meanwhile, trade unions complained Mr Hunt had found £6 billion to freeze fuel duty again while refusing to come up with additional cash for public sector workers seeking cost-of-living pay rises.

There was unhappiness among some Conservative MPs too at his decision to press ahead with a planned rise in corporation tax – from 19% to 25% – although he softened the blow with a three-year temporary break allowing investment in plant and machinery to be written off against tax.

Mr Hunt said it will make the UK the “most attractive investment environment in the world” for the next three years and that he is committed to making it permanent as soon as he can.

However, he refused to commit to tax cuts ahead of the next general election, which is likely to be little over a year away.

“My job is to do the right thing for the economy and then people will see that they can trust the Conservatives to get the economy growing. That’s the electoral dividend. I’m not interested in playing games,” he said.

While the Office for Budget Responsibility – the official

forecaster – is no longer predicting the UK will go into recession this year, it warned the country is still facing the biggest squeeze on living standards on record.

[Paul Johnson](#), director of the Institute for Fiscal Studies, said it was a “political choice” by the Chancellor to freeze fuel duty rather than fund pay awards for striking nurses and teachers.

He said households face an “enormously difficult” period ahead, with a series of big personal tax rises due to kick in next month.

The freezing of income tax thresholds, announced by Mr Hunt in the autumn statement in November, will mean basic rate taxpayers will pay an extra £500 in 2023-24, while for higher rate taxpayers it will be an additional £1,000.

“These tax rises may be necessary from a fiscal point of view, but they are an important part of the reason why household incomes are still expected to fall more over the current two-year period than at any point in living memory,” he said.