

# The 50% UK tax rate

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Higher rates of tax, smaller compensation packages and new regulatory regimes are focusing minds on the suitability of existing reward structures in the new economic situation.

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The Finance Act 2009 will from 6 April 2010 increase income tax to 50% on earnings in excess of £150,000 per year. Those earning in excess of £112,950 will also lose their entitlement to a tax free personal allowance (basic currently £6,475), also increasing the personal tax burden in the UK. In addition, reduced tax relief on contributions into UK-registered pension schemes for those earning in excess of £150,000 will have a massive impact on the total reward packages of many senior executives.

This additional tax burden puts pressure on executive returns on compensation and incentive packages which have already been under strain over recent times. Declining asset values and income streams, coupled with increased regulatory pressure, mean many organisations are now considering whether their existing reward structures do incentivise their executives in the appropriate way and align to business strategy as necessary.

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