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## High-paid seek to move part of next year's pay into this tax year: the 1992 precedent

It appears that a range of highly-paid executives in the UK are trying to move some of their pay and bonuses that would normally be due in the tax year starting 6 April 2010 into the current tax year, thus avoiding the 50 per cent high-earner tax rate.

There is a precedent for this type of tax avoidance. It happened in March 1992 when politicians stoked up fears of huge tax increases under a forthcoming Labour Government. In the event the Conservatives won the general election that Spring, as the Labour Party, under Neil Kinnock's leadership, failed to win, despite having been ahead in the polls.

Strong fears of an incoming Labour Government's plans for higher rates of tax for top earners and the lifting of the ceiling on National Insurance led to an astonishing amount of extra bonuses and salary being paid in March 1992 – to make sure that the money fell in the 1991/92 tax year. IDS spotted the movement in the average earnings figures at the time and investigated what was happening.

The increases in earnings were particularly noticeable in manufacturing, energy and finance, with ten-point increases in the average earnings indexes in these sectors between February and March 1992.

Alastair Hatchett, Head of Pay Services at IDS said: 'Back in March 1992, many firms not normally paying bonuses introduced them as extraordinary 'one-off' payments for senior staff. Some brought forward bonus payments from later in the year to the March payroll run. A number of firms even brought payments of basic salary forward, sometimes salaries for a whole year or more. In some cases it was termed 'a management bonus' – paid only to those whose pay would potentially have been most affected.'

Alastair Hatchett added: 'These payments will boost the earnings for the private sector at a time when caps and freezes are being applied to the public sector. However, if a large number of top earners bring salary and bonuses payments forward this year it may be harder to discern in the earnings figures from the ONS, as we shall also see the impact of a return of City bonuses in March where they were absent last year. No doubt the HMRC will spot the trend and ought to be able to estimate how much is involved.'

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