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Bankers' bonuses over £25,000 are to be taxed at 50%. The tax is a 'bankers' payroll tax' (ie paid by the banks themselves) and is applicable to bonuses paid between 1pm 9 December 2009 and 5 April 2010 - payable on 31 August 2010.

This measure seems to be riddled with potential ambiguities regarding the definition of bonuses and banks and the timing of these payments. Already accountants are busily working away at the loopholes (‘more holes in it than a cheese grater’ was my favourite comment).

The bottom line is the cost to the banks of paying a bonus is 150% of the bonus declared (plus the increased NI of course). The tax payable is not deductible for corporation tax purposes and does not affect income tax and National Insurance Contributions of bankers.

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