

Reforming HM Revenue & Custom

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To continue [my series on necessary tax reforms](#) I turn next to the vital reform that is needed of HMRC:

For archaic constitutional reasons the UK is in the absurd position of having a tax authority that has no minister directly responsible for it and that has no Select Committee in Parliament to which it is directly accountable. The consequence, as has become all too apparent in recent years, is that the Board of HMRC has been unaccountable for its actions, and has been reluctant to explain itself to Parliament, or anyone else.

This lack of accountability has been compounded by requirement that HMRC adopt a corporate style structure since the time of its creation in 2005. This has encouraged the appointment of directors with little or no knowledge of tax, and the appointment of non-executive directors to its board all of whom are required (it is stressed, required) to be drawn from the large business community even though there are only 700 such companies in the UK and 31 million taxpayers in all.

This corporate structure has very clearly failed. HMRC has failed to act in the public interest and has, too often, appeared to enter into cosy relationships with large companies and high net worth individuals that have resulted in them enjoying what have appeared to either be generous tax settlements or them not being brought to account for the tax crimes that they have committed. If there is to be confidence in the tax system in the United Kingdom then it is essential that this cosy relationship between big business and its directors and tax advisers and HMRC is ended. It is also vital that HMRC is subject to proper scrutiny by Parliament in future.

The recommendations that follow address these critical issues that must be resolved if confidence is to be restored in HMRC's ability to deal with each and every taxpayer as if they are of equal significance.

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Making HMRC responsible to a Minister

Managing the government's revenue is too important a task for there to be no minister responsible for this activity in future. It is no longer acceptable that a junior Treasury minister be nominated to answer questions on the issue when they have no direct line of responsibility for HMRC.

In that case HMRC must now become the responsibility of a full government department in its own right, independent of the Treasury.

The resulting Department for Taxation should have a Cabinet minister responsible for answering for its actions.

The Minister in question must not be a member of the Treasury team, but must be accountable independent of that department for the success or failure of HMRC in achieving its forecasts and objectives.

**** Making HMRC responsible to Parliament***

To ensure that HMRC is fully accountable to Parliament in future we recommend the creation of a Tax Select Committee of the House of Commons whose sole task should be to monitor tax policy and HMRC's success in collecting the tax revenues that are due in the UK, including an ongoing assessment of the tax gap.

**** Providing Parliament with the resources to monitor HMRC***

It is one of the anachronisms of the UK Parliamentary system that House of Commons Select Committees have almost no resources available to them to research the work of the Department whose activities they are meant to monitor.

If HMRC is to be held to account in future, both by a Minister, and by Parliament, then it is vital that an independent body, accountable to the Minister, but also answerable to the Tax Select Committee of the House of Commons, should be created. The obvious name for such a body would be the Office for Tax Responsibility.

This office would have three tasks:

- * To monitor the likely effectiveness of proposed tax changes;
- * To monitor the effectiveness a tax law after implementation to determine whether its objectives been achieved;
- * To independently appraise the tax gap and to monitor HMRC's effectiveness in allocating resources to close it.

Given that the National Audit Office has taken legal action against the Public Accounts Committee during the course of the current Parliament to prevent disclosure of information that the committee in question required it is not suitable to undertake this

task. The Office for Budget Responsibility is a Treasury linked body and as such it is also unsuitable for the task. A new body is, therefore, required if HMRC is to be properly held to account for its actions.

*** *Improving the governance of HMRC***

The current governance regime of HMRC is inadequate for the reasons already noted that mean that there is undue influence over its activities by big business.

The Board of HMRC should be reconstituted so that it is representative of a broad range of taxpayers including:

- * Large business;
- * Small business;
- * Employees
- * Pensioners
- * Civil society
- * Charities
- * Trade unions
- * The investment community

*** *Ensuring that a broad range of opinion is heard by HMRC***

HMRC has claimed that it is more accountable in recent years because of its widespread use of consultations on proposed legislation. This, however, is a charade.

It takes some expertise, and the expenditure of quite a lot of effort, to respond to many of the consultation documents that HMRC issues. Many civil society organisations, smaller business, and other organisations lack the expertise to respond appropriately to HMRC without being able to buy professional advice to ensure submissions are relevant and all too often the resources to let them buy such advice are not available to them. The consequence is that almost all consultation submissions to HMRC come from large businesses and their advisers, and are not, therefore, representative of the community as a whole, and such consultations do, therefore, fail any reasonable test of democratic process.

If HMRC is serious about consultation, and really wants to hear the informed opinion of a broad range of representative bodies in the UK, then it must be willing to provide grants to those who have shown aptitude or willingness to make submission to such processes, with some prior vetting to ensure that resources are allocated appropriately being necessary. Only in this way can representative democracy with regard to taxation be guaranteed.

* **Providing HMRC with the resources it needs**

There is widespread opinion, whether from the public, taxpayers, tax advisers or business, that HMRC is already understaffed and has not got the resources to undertake the tasks expected of it.

The recommendations I have made will add to the workload of HMRC.

In particular, there is no point having better legislation and data to tackle tax avoidance if specialists are not available to use it and likewise there is no point having additional information to tackle tax evasion unless staff resources, with relevant systems backup, are provided to make sure that the data can be used to trace those who are not paying their taxes.

In addition, the wholesale withdrawal of HMRC from many communities in the UK represents a significant failure of the democratic process because taxpayers are now isolated from the body that asks them to pay tax when in practice HMRC should be seen to be operating in the communities that it serves, and that it expects to comply with its requirements.

For these reasons a radical review of the staffing of HMRC is required and it is very likely that as a result:

- * HMRC should reopen many of its offices in towns and cities up and down the UK, including those that provide the opportunity for tax payers to have face-to-face meetings with tax officials to make sure that their affairs are properly managed;
- * HMRC should be provided with a substantial increase in the number of staff it has available to it to:
 - * Tackle tax avoidance
 - * Beat tax evasion
 - * Provide the level of service that UK taxpayers reasonably expect
 - * Recover tax debts
 - * Close the UK tax gap.

Estimates of the yield from employing additional staff at HMRC very, but ARC, the union for its top level staff, estimated ***ii] that at least £25 could be recovered for every additional £1 spent in 2013. We have no reason to disagree.***

ii]

<https://arctheunion.wordpress.com/2013/09/09/closing-the-tax-gap-delivering-for-the-nation/>