

# HMRC's failings start at the top and that's where chang...

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I have campaigned for more resources for HMRC for many years. My argument is in essence very simple. It makes no sense at all when we have an enormous tax gap (£34 billion per HMRC and £120 billion in my estimation) and HMRC costs of tax collection of less than £5 billion a year to seek to slash cost instead of collect the tax that is due.

My logic is economically obvious: if the deficit was claimed to be the number one priority then collecting tax was the cheapest way to solve the problem and much more effective than austerity. This is the basis of John McDonnell's economic thinking as a result.

Politically my logic also makes sense: why impose cuts that cause real harm and actually alienate many when there is an obvious revenue stream available that means such cuts are not needed? Unless you want to cut for ideological reasons and actually do harm to many vulnerable people failure to collect tax does, once again, make no sense. This too has passed as a result [of my work for the PCS union](#) into standard Labour left thinking.

The Public Accounts Committee [has reported on the work of HMRC this morning](#). It very clearly shares some of my concerns and does so on a cross party basis. As they say in their report summary:

*Customer service levels collapsed in 2014-15 and early 2015-16 as a result of HM Revenue & Customs (HMRC) underestimating the demand for telephone contact and reducing customer service capacity by releasing 5,600 staff.*

*Average call waiting times tripled compared with previous levels, transferring an unreasonable cost to taxpayers.*

*Waiting times only recovered towards the end of 2015 after the recruitment of 2,400 new staff but HMRC's plans to cut the cost of its personal tax services by another 34% in the next five years raise the risk of another collapse in service levels.*

*HMRC needs a clear understanding of customer behaviour to estimate how demand will*

*change and must be confident that it can maintain service levels at an acceptable level before it releases further staff.*

This is an outright catalogue of failure.

It tells of a department that has seen itself as a cost centre to be cut and not as a revenue source that needs to be managed to ensure that there is fairness across our tax system by ensuring that all who owe money pay the right amount of tax (but no more) in the right place at the right time.

It tells of a department that appears to have no understanding of its macroeconomic role within the economy and the consequence of its failures.

And it tells of a department that is headed by people who seem to have no understanding of the role tax plays in the social contract between people in the country and the government. That, of course, helps explain the alienation so many feel so amply demonstrated by the Brexit vote.

I have said it before and I will say it again, the changes needed though are not the management reappraisals that the PAC demand, although they are necessary in the short term. There are three such real changes required.

The first is that HMRC needs to properly understand the role of tax in the macroeconomy and manage its function within that context. Reading *The Joy of Tax* would help them, but an organisation dominated (deliberately) by a big business mindset is resolutely set against that.

This then leads to the second recommendation, which is that the management of HMRC needs to be transformed from the top down. Its senior staff need to understand tax. Its non-execs need to represent society at large as well as those who work at HMRC and not just be a cosy club for big business representatives.

And third HMRC's cuts and office closure programme needs to be reversed: we need to close the tax gap. People need to know they are paying the right amount of tax. Tax cheating needs to be pursued relentlessly to create a level playing field in our society. And tax must be seen to be collected in the communities that are asked to settle it.

The changes required at HMRC are not just to do with the management's expectation's of its software: they are much more to do with our reasonable expectation of the management which they are woefully failing to meet. And this comes down to politics into which the PAC did not go whilst seeking cross-party consensus. That leaves the door open for others to make the case. I hope they do.