

HMRC's management is not doing its job properly: it's t...

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The Public Accounts Committee [has produced yet another report on the failings of HMRC](#), but this time with even more consistently critical language. Here are just a few examples:

It urges HMRC to be more transparent about its work

HMRC should assess what more it could do to deter very wealthy taxpayers from bending or breaking the law

HMRC's lack of transparency has eroded public trust in a fair tax system

HMRC's claims about the success of its strategy to deal with the very wealthy just don't stack up.

HMRC must play a stronger role in identifying tax measures which are not being used as Parliament intended and push harder for reform where the rules are open to abuse.

It must be willing to engage in an honest and open assessment of its compliance activity

These are descriptions of an organisation that is failing. That, I stress, is failure from the top down. And that matters. As I have argued over many years, tax is the consideration in the social contract between the people of this country and its government. If tax is not seen to be fair then nor is government itself. And that is why we have to transform HMRC. As I argued in [The Joy of Tax](#):

HMRC has failed to act in the public interest, as many hearings before the Public Accounts Committee have shown, and has, too often, appeared to enter into cosy relationships with large companies and high net worth individuals that have resulted in them either enjoying what seem generous tax settlements or not being brought to account for the tax crimes that they may have committed. If there is to be confidence in the tax system in the United Kingdom then it is essential that this cosy relationship is ended between big business, its directors and tax advisers, and HMRC. It is also vital

that HMRC is subject to proper scrutiny by Parliament in future.

Three steps are needed to achieve this goal. First, 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 and, of course, HMRC's staff. Only then can it really be considered suitable to direct the work of the department in the interests of the community as a whole.

Second, 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 instead be accountable independently of that department for the success or failure of HMRC in achieving its forecasts and objectives.

Third, to ensure that HMRC is fully accountable to Parliament in future, there must be 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 on-going assessment of the UK tax gap. To achieve that goal the committee in question must overcome one of the anachronisms of the UK parliamentary system, which is that House of Commons Select Committees have almost no resources made 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 jointly 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 for Tax Responsibility would have three main tasks. The first would be to monitor the likely effectiveness of proposed tax changes in more technical depth than the Office for Budget Responsibility does at present. The second would be to monitor the effectiveness of a tax law after implementation, to determine whether its objectives been achieved and to make recommendation for further change if necessary. The third would be to independently appraise the tax gap and to monitor HMRC's effectiveness in allocating resources to close it, in ways that the National Audit Office never does at present. By undertaking these tasks this Office could finally make the UK tax system accountable, and not before time.

The need is as pressing now as when I wrote that. The time has come for radical reform of HMRC.