

A Ministry of Tax

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A new group, called the [Progressive Economics Group](#), has been launched to propose policy that might inform a future alternative government. The initial offering of six policy briefs covers themes such as:

- * Publicly funded drug research
- * Monetary policy
- * Public sector debt management
- * Basic income
- * The future of limited liability

and my own offering on:

- * A Ministry of Tax.

I recommend them as pithy policy notes. [My owns says this](#):

A Ministry of Tax

Tax is an effective tool available to any government to implement its social and economic policies. The current institution for collecting taxes, HM Revenue and Customs, does not allow effective use of the tax instrument.

How, then, should tax administration be administered to ensure accountability, transparency and effectiveness?

Analysis

HM Revenue & Customs is not directly accountable to the government. There is no minister with direct responsibility for taxation; nor is there a select committee on taxation in the House of Commons. These missing institutions leave tax administration without sufficient political over-sight and with too narrow a mandate, flaws compounded by an illusion that HMRC operates in an apolitical manner.

Under the present system in which HMRC feigns being apolitical and the Treasury manages the national budget in ways that in effect mean that tax functions as a constraint on, rather than a facilitator of, social and economic policy. In addition, the absence of an Office for Tax Responsibility function is a serious shortcoming in Britain. To make the tax system democratically accountable parliament should allocate the resources to ensure effective monitoring of tax collection and its social and economic impact.

Policy Framework

To achieve a tax system adequate for implementing progressive policies the following changes are required.

First, the cabinet needs a minister responsible for taxation. This minister's role would be quite different from that of the Chancellor of the Exchequer whose principle function is overall economic management.

Second, given the importance of taxation the Ministry of Tax should operate in cooperation with, but independent of, the Treasury. The new ministry would set tax policy to meet the economic objectives set by the Chancellor, who would have overall responsibility for economic policy. The new Ministry would be responsible for delivering these policies in an accountable way now absent from the UK political process. This means that the Ministry of Tax would have oversight over the revenue collection. The division between the Treasury and Ministry Tax is important because it would emphasise that tax is a support function that assists achievement of economic goals but is not a constraint upon them.

Third, in order to ensure that the narrow task of tax collection is independent of political influence, the Ministry of Tax would devolve this function to a purely administrative agency. This is currently the formal task of HM Revenue & Customs, whose name needs to be reviewed. The pretence that this institution is a function of the Crown should end and the agency be made fully accountable to parliament.

Fourth, the tax minister and the Ministry of Tax must be politically accountable. This will require that Parliament have a select committee on tax.

Fifth, to ensure that the committee has the resources to do its job properly and

transparently, parliament should create an Office for Tax Responsibility that reports directly to the select committee on taxation.

This Office for Tax Responsibility would have four responsibilities:

- * it would act as the internal auditor of HMRC;
- * it would audit the government's tax proposals to verify their credibility;
- * it would review all allowances and relief in the tax system on a regular basis and recommend changes if any fail to achieve their stated purpose; and
- * it would audit the "tax gap", which is the difference between the amount of tax that should be paid each year and the amount actually collected and report to parliament on progress in addressing this issue.

The result would be that the UK would, for the first time, have an accountable tax system.

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This policy brief may be [downloaded as a pdf here](#).