

Now is the time for tax reform

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The [Institute for Government](#) has issued a press release and report suggesting that:

The UK tax system needs substantial reform, but recent governments have shied away from it because of public resistance.

Given that I am working on what I call the [Tax After Coronavirus \(TACs\)](#) project I do, of course, agree.

The Institute argues that:

That needs to change — and government should seize the chance to do so. The coronavirus epidemic will accentuate existing problems — but may also bring public support for tax reform, offering government a rare opportunity to make sweeping changes.

Government has been finding it harder to raise revenue — for example, digital businesses are increasingly prevalent but harder to tax, while self-employment has been becoming more widespread but the self-employed have to date been more lightly taxed than employees. There are also long-standing, well-known inefficiencies in the tax system and unnecessary distortions, including expensive reliefs which have long outlived their purpose.

At the same time, the health and social care needs of the UK's ageing population have been putting increasing pressure on public spending, requiring tax rises unless the scale and scope of services is reduced. Even before the coronavirus crisis, there appeared to be no public appetite for paring back services; now, there is likely to be support for much more funding for the NHS.

These longstanding pressures all underline the need to reform the tax system to allow it to raise the revenue needed in an efficient and fair way.

And as they note:

The coronavirus outbreak adds new pressures. The government's economic rescue package will add many billions of pounds to public debt, which will have to be financed. It may create public desire for a permanently larger role for the state — with higher spending to increase resilience in public services and a more generous welfare system. The aftermath of this crisis could provide an opportunity to address longstanding problems and improve the way in which we raise tax — and indeed, to move to a higher tax system if that is indicated by public desire. But that will require major tax reform that previous governments have struggled to deliver.

Their suggestion is that:

This report sets out the main barriers that stand in the way of reforming the tax system and how the government could overcome them.

Based on over 70 interviews with former ministers, current and former civil servants, journalists, tax experts and others — and drawing on experience and practice from the UK and other similar countries — the report highlights the barriers to reform and identifies ways to overcome them:

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The prime minister and chancellor must set clear objectives for the tax system.

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The government should establish a tax commission.

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The Treasury should do more to build public understanding of the need for tax reform.

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The Treasury and HM Revenue and Customs (with the support of ministers) should work to build a stronger evidence base for tax reform.

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The Treasury Select Committee (TSC) should spend more time looking at the tax system.

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Tax reform measures need to be carefully packaged.

It is precisely to inform this type of decision making that I am developing the Tax After Coronavirus (TACs) project. It would seem that some at least think that this might be timely.