

We need a Ministry of Taxation and an Office for Tax Re...

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I was asked yesterday about an old idea of mine - or rather, two of them. They are for the need for an Office for Tax Responsibility, tasked with holding HM Revenue & Customs to account for its work, when at present it marks its own homework, largely beyond the limits of both ministerial and parliamentary scrutiny.

The other was for a Ministry of Tax. This builds on the idea that tax has a much greater role than that usually presumed for it of raising revenue, which is not its real purpose at all. Such a complex issue as tax really does need management and scrutiny in its own right. I see the two as related.

The first of these ideas was [first proposed by me in 2010](#) when I wrote the following amendment to George Osborne's first Finance Bill for some Labour MPs, the aim being to appraise progress in tackling the tax gap:

COMMITTEE OF THE WHOLE HOUSE

FINANCE BILL

The Office for Tax Responsibility

To move the following Clause:

- 1. There shall be established The Office for Tax Responsibility.*
- 2. The Office for Tax Responsibility shall report to but be independent of the Chancellor of the Exchequer and shall also be independent of HM Treasury and HM Revenue & Customs.*
- 3. The Office for Tax Responsibility shall be managed by the Director for Tax Responsibility who shall be supported in their work by not less than two and not more than four Commissioners for Tax Responsibility who shall with the Director of Tax Responsibility constitute the Board of the Office for Tax Responsibility.*

4. The Office for Tax Responsibility shall:

- a. Be afforded such budget as shall be required for it to undertake its duties as laid down in this law;
- b. Shall be given the right to access all such information held by such other government departments, agencies, local authorities and authorities established under statute as it in its sole discretion shall determine is required to fulfil its duties laid down in this law subject to the sole requirement that all obligations to respect the confidentiality of those with whom those such other agents of government engage shall be also be assumed by the Office for Tax Responsibility when using data those agents of government shall supply to the Office for Tax Responsibility for the purpose of undertaking its duties;
- c. Engage such staff (including the Director and Commissioners) as it needs to fulfil its duties, such staff to not be seconded from other government departments, agencies, local authorities or authorities established under such statute and such staff not to be seconded to it by any entity registered at the time such secondment shall take place as a tax agent by H M Revenue & Customs.

5. The Office for Tax Responsibility shall report annually on:

- a. Its best estimate of the UK [tax gap](#). In so doing it shall:
 - i. Calculate the tax gap separately for each of income tax, national insurance in all its forms, [corporation tax](#), value added tax, excise and customs duties in all their forms, stamp duty in all its forms, capital gains tax, [inheritance tax](#), petroleum revenue tax, landfill tax, air passenger duty, insurance premium tax, climate change levy, aggregates levy, domestic rates and business rates but with specific requirement being made that the interaction of the tax gap calculated for any one tax be specifically considered when estimating the tax gap for any other tax before preparing and publishing an estimate of the total annual UK tax gap;
 - ii. Use a methodology for calculating the tax gap that estimates the net theoretical tax [liability](#) for the particular tax subject to calculation within the UK economy as a whole from which is then subtracted the actual receipts for the tax in question to produce an estimate of the annual tax gap for the tax subject to calculation;
 - iii. Analyse the tax gap with regard to each tax between that attributable to tax evasion, tax avoidance and unpaid or late paid tax;
 - iv. Publish its methodology and workings with regard to the calculation of each component of the tax gap subject only to withholding such information as is required to prevent any breach of taxpayer confidentiality;
- b. Progress made by H M Revenue & Customs in closing the tax gap;

c. The methods it would propose H M Revenue & Customs and other agencies, if appropriate, shall adopt to better tackle the tax gap;

d. Those legislative changes required, in its opinion, to close the tax gap;

e. The budget resources that in its opinion H M Revenue & Customs and those other agencies addressing this issue will require to address the tax gap it identifies;

f. Its forecast of the taxation and other benefits that might arise from allocating such resources for the purpose identified in paragraph (e) above: other benefits for this purpose to include all those social benefits resulting from tackling the tax gap;

6. The Office for Tax Responsibility shall engage with those persons who wish to make representations on matters relating to the tax gap so that those persons concerns and expectations for the closing of that tax gap are reflected in the work of the Office for Tax Responsibility.

As I said at the time:

Is it perfect drafting? I'm sure not — I dedicated less than an hour to this.

Would it make one heck of a change to our well being, the way we manage tax in the UK and the way we view state finances?

You bet it would.

Maybe that's why the Clerks to the House were, I gather, resisting it being tabled.

I remain of the view that such an organisation would be of considerable value now.

With regard to the idea for a ministry of tax, I wrote the following briefing in 2017:

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.

The goal does, once again, seem one that would be of considerable benefit to the country now.