

## REPORT INFORMING LICENSING COMMITTEE OF INTRODUCTION OF MANDATORY TAX CONDITIONALITY CHECKS

REPORT OF: Tom Clark, Head of Regulatory Services

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Wards Affected: All

Key Decision No

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### Purpose of Report

- 1 To advise and update the Licensing Committee with details of additional Tax Conditionality checks on certain licence applications and renewals that will be introduced from April 2022.

### Summary

- 2 The Finance Act 2021 introduced additional checks as part of applications to renew licences for taxi and private hire drivers, private hire vehicle (PHV) operators and scrap metal dealers in England and Wales. From 4 April 2022, these licence applicants must complete a 'tax check' and licensing bodies must confirm that an applicant has completed the check.

### Recommendations

- 3 **This report is for information purposes only.**
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- 4 The hidden economy consists of individuals and businesses with sources of taxable income that are entirely hidden from HMRC. This deprives the government of funding for vital public services. The hidden economy tax gap (the difference between the amount of tax that should, in theory, be paid, and what is actually paid is estimated to be £2.6 billion for 2018 to 2019.
- 5 Many people operating in the hidden economy do so because they are unaware of or confused about their tax obligations. If they have been hiding their income for a long period, they are also likely to find it harder to come forward and tell HMRC that they are, or should have been, chargeable to tax
- 6 Conditionality aims to address part of the hidden economy by helping applicants for certain public sector licences better understand their tax obligations and by making access to the licences they need to trade conditional on completing a tax check.
- 7 This measure will have an effect on all applications, new or to renew a licence made from 4 April 2022.
- 8 The licences that will be subject to conditionality are issued under
  - Section 46 of the Town Police Clauses Act 1847

- Sections 51 and 55 of the Local Government (Miscellaneous Provisions) Act 1976
  - Section 2 of the Scrap Metal Dealers Act 2013
- 9      Conditionality will apply to applications made by individuals, companies and partnerships, including LLPs for licences to drive taxis and/or PHVs, operate a PHV business or deal in scrap metal.
  - 10     Licensing bodies will be required to signpost first-time applicants to HMRC guidance about their potential tax obligations and obtain confirmation that the applicant is aware of the guidance before considering the application. Where the application is not a first-time application (a renewed application) the licensing body must, before considering the application, obtain confirmation from HMRC that the applicant has completed a tax check.
  - 11     An applicant will carry out a tax check by providing information to enable HMRC to satisfy itself that the applicant has complied with an obligation to notify their chargeability to tax, where such an obligation applied. The check will include a question about whether income from the licensed activity has been declared to HMRC, where the applicant was chargeable to tax. The check will be completed when HMRC is satisfied the applicant has provided all information requested.
  - 12     The licence holder will be able to complete this tax check on GOV.UK, through their Government Gateway account. They will only need to answer a few questions to tell HMRC how they pay any tax that may be due on income earned from the licensed trade.  
  

The licence holder will have to set up a Government Gateway account if they do not already have one and there will be guidance on GOV.UK. The tax check will also be able to be conducted by phone through HMRC's customer helpline. Once the licence holder has completed the tax check, they will get a code. This code is passed to the Licensing Authority. We cannot proceed with the licence application or renewal until the tax check is completed and we have received the code.

The check will be completed by the Licensing Authority through an online portal. The Licensing Authority will only receive confirmation from HMRC that the applicant has completed the tax check, we will not have access to information about the applicant's tax affairs.
  - 13     In cases where the licensing body has been unable to obtain confirmation of completion of the tax check for 28 days other than because of an HMRC failure, for example, where an applicant refuses to complete a tax check and therefore HMRC cannot provide confirmation that they have completed one, the licence will not be renewed and will expire.
  - 14     Where an HMRC failure prevents the applicant from carrying out their tax check or the licensing body from meeting its requirement to obtain confirmation of the completion of the tax check, the requirement on the licensing body to obtain that confirmation will cease to apply.
  - 15     HMRC have provided draft information relating to the new requirement which the Licensing Team have circulated to affected licence holders to advise them

of the forthcoming additional check that will be required for their renewal application.

### **Financial Implications**

- 16      There will be a cost to the Council to administer these additional checks, respond to any questions from applicants and to signpost them to the HMRC.

The Council keeps the fees and charges under review annually and aims to recover as much of the cost of regulating taxi and private hire licensing services as we are legally able, through fees and charges paid by applicants and licence holders. Any additional costs arising from implementing and enforcing this change will, where possible, be met through changes to taxi and private hire licence fees and charges.

### **Risk Management Implications**

- 17      The implementation of these regulations imposes a mandatory requirement on the Council to conduct Conditionality checks prior to issuing any of the specified licence types.

### **Equality and customer service implications**

- 18      None have been identified.

### **Sustainability Implications**

- 19      None for the purposes of this report.

Backing Papers

Appendix 1 – Tax Check Factsheet for Licence Holders