



HM Revenue
& Customs

Hidden economy conditionality – Northern Ireland and Scotland

Consultation

Publication date: 23 March 2021

Closing date for comments: 5 July 2021

Summary

Subject of this consultation

This consultation discusses how to make the renewal of licences in the taxi and scrap metal sectors in Scotland and Northern Ireland conditional on applicants completing checks that confirm they are appropriately registered for tax from April 2023.

Scope of this consultation

This consultation sets out the government's preferred option to introduce the new tax checks designed to tackle the hidden economy and seeks views from stakeholders on its suitability.

Who should read this

The government seeks views from those involved with taxi and scrap metal licensing in Scotland and Northern Ireland including licence applicants, licensing bodies and their representative groups.

Duration

15 weeks, starting 23 March 2021 and closing 5 July 2021.

Lead official

Luke Jones, HM Revenue and Customs

How to respond or enquire about this consultation

We recommend written responses are submitted via email to: isbc.compliancepolicy@hmrc.gov.uk

Alternate postal address:

ISBC Policy and Strategy, HMRC, Room 3/39, 100 Parliament Street, London, SW1A 2BQ

Additional ways to be involved

If you would like to meet to discuss this consultation, please contact us at isbc.compliancepolicy@hmrc.gov.uk. As circumstances require, HMRC will be happy to hold and attend virtual meetings.

After the consultation

A response document will be published, and the government will consider proposals to inform the development of draft legislation to extend hidden economy conditionality to Scotland and Northern Ireland.

Getting to this stage

This document builds on previous consultations on tax conditionality and the hidden economy. Responses to those publications were published in 2017 and 2018. At Budget 2020, the government announced that it will make the renewal of licences to drive taxis; drive and operate private hire vehicles (PHVs) (for example minicabs); and deal in scrap metal in England and Wales conditional on applicants completing checks that confirm they are appropriately registered for tax.

Previous engagement

HMRC met with a range of stakeholders as a part of the two previous consultations covering hidden economy conditionality. HMRC officials have also met with officials in the devolved administrations while developing these proposals.

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1. Introduction

The Hidden Economy

- 1.1. The majority of UK taxpayers pay what they owe, but a small minority seek to evade or avoid paying their fair share. The hidden economy consists of individuals and businesses with sources of taxable income that are entirely hidden from HM Revenue and Customs (HMRC). The hidden economy tax gap is estimated to be £2.6 billion for 2018 to 2019 and equates to approximately 9% of the overall tax gap. The tax gap is the difference between the amount of tax that should, in theory, be paid, and what is actually paid.
- 1.2. HMRC is committed to achieving a significant and sustained narrowing of the hidden economy tax gap. Central to this aim is our ability to promote compliance by helping customers to get things right and prevent non-compliance by using data and system design to block fraud and prevent mistakes.
- 1.3. The hidden economy deprives the government of funding for vital public services, distorts fair competition between businesses and places unfair burdens on the compliant majority who pay their fair share of taxes.
- 1.4. Addressing the hidden economy ensures a level playing field for those who comply with their tax obligations. This means working to improve the ways in which customers register for tax and report their income; helping them to get things right the first time. HMRC will also make it increasingly difficult for businesses and individuals to enter the hidden economy and will robustly tackle those who continue not to pay the right amount of tax.
- 1.5. Many people operating in the hidden economy do so because they are unaware of or confused about their tax obligations. Others think it will be difficult to declare their income to HMRC.
- 1.6. HMRC is continuously exploring opportunities for new and innovative communication approaches to help ensure taxpayers are aware of and understand their obligations; including harder to reach groups. Joining up with other public bodies through conditionality would complement that approach. Conditionality means the setting of requirements or standards regarding tax compliance on an individual or business when licences need to be renewed.
- 1.7. At a first application for a licence, it would help new businesses with clear, practical guidance on their obligations and how to meet them; and at renewal, it would ensure, through a brief, online tax check, that established businesses are appropriately registered for tax, as they should be.

- 1.8. HMRC's focus will be on ensuring that this process is as easy as possible, including for customers who need to come forward and register for tax. That will include help for customers who require additional support, or who are unable to engage with HMRC through digital services. More broadly, in line with the commitment made in the recent HMRC evaluation of powers report¹, HMRC will continue to explore opportunities for new and innovative communication approaches to help ensure that taxpayers, including harder to reach groups, understand their obligations.
- 1.9. HMRC's operational experience also shows that those in the hidden economy may also demonstrate non-compliance with other regulatory requirements including; health and safety violations, failure to comply with employment rights for workers and immigration offences. By tackling the hidden economy, HMRC can help to shrink the space in which wider criminality and non-compliance can flourish.

The aim of conditionality

- 1.10. Many businesses require licences or other approvals from parts of local or national government in order to trade. Where licence holders are receiving income that is taxable, they should be reporting that income to HMRC.
- 1.11. HMRC works with third parties such as agents, software developers and data providers to make tax easy to get right and difficult to get wrong. Our published strategy 'Building a Trusted, Modern Tax Administration System'² sets out that we aim to work more closely with third parties and draw on their data to help people get their tax right. Working with third parties – including other parts of local or national government – is a core part of how modern tax administrations operate and plays a vital role in helping people to be compliant.
- 1.12. 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 continuing access to the licences they need to trade, conditional on completing a tax check. It also promotes tax registration at the right time and helps customers better understand their obligations to register for tax and the simple steps they need to take to declare their income to HMRC.
- 1.13. This policy supports a key aim of our strategy; to shrink the hidden economy by preventing people from entering it in the first place. It is an innovative, cost effective and simple way to tackle this part of the tax gap and help level the playing field making it more difficult for people to enter or stay in the hidden economy.
- 1.14. Shrinking the hidden economy is in everyone's interest and has wider benefits to society. Compliant businesses benefit from a level playing field where everyone pays their fair share of taxes and the broader public benefits from the additional tax that is protected through a reduction in the £2.6 billion hidden economy tax gap.

¹ <https://www.gov.uk/government/publications/evaluation-of-hmrcs-implementation-of-powers-obligations-and-safeguards>

² <https://www.gov.uk/government/publications/tax-administration-strategy/building-a-trusted-modern-tax-administration-system>

- 1.15. The new tax checks will build tax compliance into the process of doing business. This supports our strategy to help customers to easily comply with their tax obligations at the earliest opportunity.
- 1.16. In relation to the forthcoming legislation for England and Wales, the majority of stakeholders have supported the principle of applying tax checks to licensing, providing that any administrative burden is minimised. Representative groups such as local authority representatives and trade representatives have been actively involved in this process. This engagement has taken place during consultation and during the development of draft legislation, and the process of gathering insight and feedback from individuals in the sectors continues. Taxpayer representatives have suggested this could be a valuable tool in tackling non-compliance, licensing body representatives have suggested the checks can be incorporated into licensing relatively simply, and some representative groups have said they welcome the check as a way of supporting compliance in the relevant sectors.
- 1.17. Through this additional consultation, HMRC's aim is to establish the best way to extend this policy to equivalent licensing regimes in Scotland and Northern Ireland.

Previous policy development and consultation

- 1.18. Since 2016 HMRC has consulted extensively with stakeholders on 'hidden economy conditionality' including two formal public consultations.
- 1.19. First, in the document 'Tackling the Hidden Economy: Conditionality'³ published in August 2016. This consultation discussed the underlying principles of hidden economy tax conditionality and explored its practical delivery, and the services and sectors in which it could be an effective compliance tool. The majority of responses agreed that HMRC should be focusing on new approaches to tackling the hidden economy and recognised that conditionality could be an effective way to support compliance.
- 1.20. Second, in 'Tackling the Hidden Economy: Public Sector Licensing'⁴ published in December 2017. This consultation proposed introducing checks on applicants' tax registration that would be linked to licensing processes. It suggested potentially suitable licensing regimes, sought comments on their suitability and outlined ways in which tax registration checks could be administered and enforced. The majority of responses from the sectors have supported HMRC's efforts to level the playing field in this way, as long as the burdens of complying with the new check are minimised.
- 1.21. At Budget 2020, the government announced that it will legislate to make the renewal of licences to drive taxis, drive and operate private hire vehicles (PHVs) (for example minicabs) and deal in scrap metal in England and Wales conditional on applicants completing checks that confirm they are appropriately registered for tax.

³ <https://www.gov.uk/government/consultations/tackling-the-hidden-economy-conditionality>

⁴ <https://www.gov.uk/government/consultations/tackling-the-hidden-economy-public-sector-licensing>

- 1.22. At Budget 2020, the government also announced that it was considering extending this reform to Scotland and Northern Ireland in the future and would work with the devolved administrations to this effect. In July 2020, the government published draft legislation for hidden economy conditionality as it relates to England and Wales, for technical consultation. The government also published supporting documents which outlined how the new tax check will affect applicants and licensing bodies.
- 1.23. At Budget 2021, the government confirmed it will legislate in Finance Bill 2021 to make the renewal of licences to drive taxis, drive and operate private hire vehicles (PHVs) (for example minicabs) and deal in scrap metal in England and Wales conditional on applicants completing checks that confirm they are appropriately registered for tax. This reform will take effect on the 4th April 2022.

Selecting the sectors to be subject to a tax check

- 1.24. The hidden economy is a problem throughout the UK and is not uniquely associated with any one industry or sector. We also know that people who are operating in the hidden economy may not be doing so deliberately. However, the hidden economy can be a problem where sectors have high levels of self-employment with a requirement to notify liability, or high numbers of small or micro-businesses.
- 1.25. Where HMRC has carried out compliance activity, or where third-party data suggests a problem posed by the hidden economy, it is important that we take steps to prevent people falling into non-compliance, as early as possible.
- 1.26. Licensing provides a proportionate vehicle for this, providing that the licensing rules are compatible with the principle of a tax check and the check itself is easy to fulfil.
- 1.27. HMRC's initial proposals for consultation focused on six sectors. These were: private security, taxi and private hire vehicles, waste management, private rental, scrap metal and retail.
- 1.28. The criteria used to identify these were:
- Alignment of conditionality with existing rules: licences that were selected have existing conditions that align reasonably well with legal obligations to register for and pay tax.
 - Risks posed by the hidden economy: while good standards of overall compliance exist in the sectors selected, they are vulnerable to exploitation by a minority who wish to undercut their competitors by operating in the hidden economy.
 - Potential wider benefits: by integrating regulatory standards and developing closer working between HMRC and other parts of local or national government, there may be opportunities to drive up standards.
- 1.29. Following consultation, the Government announced that it will legislate to make the renewal of licences in the taxi, private hire and scrap metal sectors conditional on applicants completing checks that confirm they are appropriately registered for tax. The government also said it would further consider the case for applying conditionality in other sectors included in previous consultations as well as wider areas of licensing and regulation.

Scope of the consultation

- 1.30. At Budget 2021, the government confirmed its intention to extend hidden economy conditionality to similar public sector licences in Scotland and Northern Ireland from April 2023. Licensing schemes are different in each nation of the UK and this consultation seeks input from stakeholders on how best the government can implement this reform in schemes which operate in Scotland and Northern Ireland.
- 1.31. The consultation sets out the government's preferred option for implementing hidden economy conditionality in Scotland and Northern Ireland. It seeks views on the suitability of the government's preferred delivery option and whether any changes need to be made. The final implementation will be informed by the outcome of this consultation.
- 1.32. We welcome comments, in particular, from those who issue or receive the following:
- Scotland:
 - Taxi and Private Hire Car (PHC) driver licences
 - PHC booking office licences
 - Metal dealer licences
 - Northern Ireland:
 - Taxi driver licences
- 1.33. Northern Ireland does not have a distinct licensing regime for dealing in scrap metal; such activities are regulated under broader environmental regulations. The government is not considering applying conditionality to broader environmental regulations as a part of this consultation, and they are not covered by this document.
- 1.34. The licensing regime for taxi operators in Northern Ireland already includes some tax related checks as a part of their fit and proper test, therefore, the government does not intend to extend conditionality to this licence.
- 1.35. Following the consultation, a response document will be published, and the government will consider proposals to develop draft legislation to extend hidden economy conditionality to Scotland and Northern Ireland.

2. Conditionality in England and Wales

- 2.1. As set out in chapter one, HMRC has conducted two previous public consultations on hidden economy conditionality and has engaged with a wide range of stakeholders when developing this policy. At Budget 2020, the government confirmed it will legislate to introduce a check on tax registration (tax check) for renewed applications in England and Wales for licences to:
- drive taxis and private hire vehicles (for example, minicabs),
 - operate a private hire vehicle business,
 - carry on the business of a scrap metal dealer on a site, and
 - carry on business as a mobile collector of scrap metal.
- 2.2. An applicant who wishes to renew a licence will need to carry out a tax check. The tax check is designed to determine whether a licence applicant is appropriately registered for tax. The licensing body (typically a local authority) will have to obtain confirmation from HMRC that the applicant has completed the check before being able to consider the renewed licence application. This measure will affect applications made on or after 4th April 2022.
- 2.3. In order to place only minimal additional requirements on licensing bodies and customers, the tax check will be facilitated through a new digital service. For the majority of customers, this will ensure that checks can be carried out swiftly and securely; allowing them to be directed to appropriate sources of further support regarding their tax affairs, where necessary. HMRC will ensure that any digital service conforms to government accessibility standards and will ensure that suitable support exists for customers who require digital assistance. Alternative options and support will be available for those who are unable to complete their tax check online.
- 2.4. Conditionality is designed to be an innovative, cost effective and simple way to tackle this part of the tax gap, preventing people entering the hidden economy. Conditionality will not force anyone to register with HMRC unless they are already obliged to do so. If the licence applicant is already registered with HMRC as they should be, this will be a straightforward online check, typically once every three years in line with licensing renewal requirements.
- 2.5. Through consultation, HMRC has developed a policy model for hidden economy tax conditionality as it relates to England and Wales as set out below. **Additional detail about the tax check can be found at Annex A.** Most consultation responses from the sectors have supported HMRC's efforts to level the playing field in this way.

Core principle

- 2.6. A tax check will be required to support all applications made by individuals, companies and partnerships, except for first-time applications.

First-time applications

2.7. A first-time application is one for which an applicant

- has not previously held the kind of licence for which they are now applying; or
- did have such a licence, but it expired a year or more before the current application.

2.8. Most people making first-time applications will not have held a licence before and will not have commenced trading at the time when they make their application. It would not, therefore, be appropriate to require them to carry out a tax check to support that application. Directing them to information about tax would, however, encourage them to think about potential future tax obligations from an early stage in the life-cycle of their business.

2.9. Before the application can be considered, the licensing body must:

- signpost the applicant to HMRC guidance about tax compliance, and
- tell the applicant about HMRC's information powers.

2.10. The applicant must give the licensing body confirmation that they have made themselves aware of the content of the guidance. The licensing body may not consider the application until it has received that confirmation.

Tax checks

2.11. Any application that is not a first-time application must be supported by a tax check, unless a safeguard applies as below.

Applicant actions

2.12. An applicant will complete a tax check by using the online system provided by HMRC for that purpose. As a part of the tax check, HMRC will ask for identifying information which could include the applicant's name, date of birth, National Insurance Number or company registration number. HMRC will also ask for information about their licensed activity and income earned through that activity to enable us to check that the applicant has complied with their obligation to notify their liability or chargeability to income tax or corporation tax where such an obligation applied. We recognise that not all licence applicants need to register with HMRC to declare their income. Applicants who are employees only, or who were not obliged to notify liability or chargeability will be able to say so. Alternative options and support will be available for those who are unable to complete their tax check online.

Licensing body actions

2.13. Before it can consider the application, the licensing body must obtain confirmation from HMRC that the applicant has completed a tax check.

Safeguards

2.14. Safeguards will ensure that the licence application process can continue without undue delay where the applicant was unable to complete their tax check, or the licensing body was unable to obtain confirmation of completion of the tax check for 5 days due to an HMRC failure.

2.15. More broadly, a key aim of the policy is to ensure that applicants are able to complete a tax check quickly and easily, and those who need to come forward and declare a liability are able to do so without facing barriers to trade. Previous consultation has focused on ensuring that sufficient safeguards are in place to meet these aims. Through the current consultation, HMRC is keen to establish whether any alternative or additional safeguards are necessary to meet those aims in the context of licensing within Scotland and Northern Ireland.

3. Preferred option to extend conditionality to Northern Ireland and Scotland

3.1. The government believes tax conditionality should apply throughout the UK where similar and appropriate licensing requirements exist, and it is proportionate to require the tax check. The government is considering how conditionality can be implemented alongside taxi licensing in Scotland and Northern Ireland, and licensing for metal dealers in Scotland.

Conditionality in Northern Ireland

- 3.2. Northern Ireland does not have a distinct licensing regime for dealing in scrap metal; such activities are regulated under broader environmental regulations. The government is not considering applying conditionality to broader environmental regulations as a part of this consultation, and they are not covered by this document.
- 3.3. In Northern Ireland, the Driver & Vehicle Agency within the Department for Infrastructure is responsible for taxi licensing. The Taxis Act (Northern Ireland) 2008, the Taxi Licensing Regulations (Northern Ireland) 2015, and the Taxi Operators Licensing Regulations (Northern Ireland) 2012, contain provisions under which taxi drivers and operators are licensed. The government is seeking views on how tax conditionality can be applied to the renewal of taxi driver licences in Northern Ireland.
- 3.4. Taxi operators in Northern Ireland already undertake similar checks as a part of the existing licensing process. Applicants are required to give evidence that they are registered for VAT. If VAT registration is not required, applicants must give evidence that they are compliant with their income tax self-assessment obligations (for individuals) or accounts requirements (for companies). The government does not intend to extend conditionality to this licence.

Conditionality in Scotland

3.5. In Scotland, the Civic Government (Scotland) Act 1982 (later amended by the Air Weapons and Licensing (Scotland) Act 2015) requires local authorities to license taxis, Private Hire Cars (PHCs) and metal dealers. The Civic Government (Scotland) Act 1982 (Licensing of Booking Offices) Order 2009, requires local authorities to license the use of premises used for the taking of bookings for taxis and PHCs. The government is seeking views on how tax conditionality can be applied to the renewal of all these licences.

Preferred delivery model

- 3.6. The government believes the policy model set out in chapter two is the most appropriate way of introducing conditionality in Northern Ireland and Scotland. It is a cost effective and simple way to tackle this part of the tax gap, preventing people from entering the hidden economy. Most stakeholder feedback from previous consultations has supported HMRC's efforts to level the playing field in this way.
- 3.7. However, while the above licensing regimes in Northern Ireland and Scotland have some similarities to those in England and Wales, they are not exactly the same. HMRC

would like to hear from those involved or interested in taxi and scrap metal licensing in Scotland and taxi licensing in Northern Ireland, in particular:

- individuals and businesses,
- licensing bodies (e.g., local authorities) that administer relevant licences,
- representative bodies, and
- professional bodies.

Question 1. Do you have any comments about, or evidence of, the suitability of applying the existing conditionality policy model to taxi driver licensing in Northern Ireland and taxi and private hire car drivers, booking offices and metal dealers in Scotland?

Question 2. Do you agree that we should seek to apply conditionality using the same model as England and Wales, if not, why not, and what alternative model do you suggest?

Question 3. Are there any features of the licensing regimes or processes used by licensing bodies in administering them, which are incompatible with conditionality or the policy model outlined in chapter 2?

Question 4. Do you have any comments on the suitability of safeguards outlined in chapter 2 and are there any further safeguards needed in addition to those outlined in chapter 2 for the licences outlined in chapter 3?

Question 5. Are there any licence holders who may need additional support to engage with the tax check and what support do they need?

Question 6. Do you have any comments about, or evidence of, any impacts (positive or negative) of applying tax conditionality to taxi driver licensing in Northern Ireland and the licensing of taxi and private hire car drivers, booking offices and metal dealers in Scotland?

Question 7. Do you have any comments about excluding taxi operators in Northern Ireland from conditionality, in view of the existing checks undertaken?

4. Assessment of impacts

Summary of impacts

This measure is expected to have a negligible impact on the Exchequer.

Year	2020 -21	2021 -22	2022 -23	2023 - 24	2024 - 25	2025-26
Exchequer impact (£m)	-	-	negligible	negligible	negligible	negligible

Impacts	Comment
Economic impact	This measure is not expected to have any significant macroeconomic impacts.
Impact on individuals, households and families	<p>This measure is expected to have an impact on employed taxi and private hire car drivers, as well as drivers, private hire car operators and scrap metal dealers who are self-employed. These individuals will need to complete a tax check when applying to renew licences in Scotland and Northern Ireland.</p> <p>If individuals do not complete a tax check, the licensing body will be unable to consider their application to renew their licence and their current licence will expire. This could have an impact on family formation, stability or breakdown if individuals will no longer be licensed to drive and individuals and their families would have less disposable income.</p> <p>To mitigate this, we will produce clear guidance and work with licensing bodies and industry representative bodies to make individuals aware of the new requirement. Individuals' experience of dealing with HMRC is expected to remain broadly the same as the tax check will be simple to complete, and the policy places no new tax obligations on these sectors.</p>

Impacts	Comment
Equalities impacts	<p>Previous consultation feedback and dialogue with external stakeholders suggests the measure is expected to have an impact upon some licence holders in relation to protected characteristics of sex and race.</p> <p>Taxi and Private Hire Car (PHC) drivers are more likely to be men than women.</p> <p>A higher percentage of taxi and PHC drivers are from Black, Asian and Minority Ethnic (BAME) populations than the general working age population.</p> <p>Taxi and PHC drivers, on average, are likely to be older than the working age population of the UK.</p> <p>Feedback from stakeholders also suggest Gypsy, Roma or Travellers are particularly represented in the scrap metal trade.</p> <p>This information will be further developed through consultation. HMRC will ensure that the final policy design addresses the particular needs of anyone who holds these protected characteristics; in particular, through the provision of appropriate support and guidance.</p> <p>Implementation of the policy will be informed by continuing dialogue and relevant policy development across government.</p> <p>We will also ensure that individuals who may be digitally excluded or need extra support, are signposted to additional help, via established HMRC processes.</p>

Impacts	Comment
Impact on businesses and Civil Society Organisations	<p>The measure may have an impact cumulatively as it will affect approximately 50,000 businesses who are expected to hold licences in the relevant sectors by 2022/23. Businesses will need to use the new digital service or via the alternative route provided for digitally excluded customers to demonstrate whether and how they are registered for tax each time they apply to renew their licence.</p> <p>One off costs will include familiarisation with the proposal. Continuing costs will arise from businesses completing the tax check each time they renew their licence. This will typically take place every three years. This includes gathering any necessary information to do this. The tax check will be completed online or via the alternative route provided for digitally excluded customers.</p> <p>Businesses' experience of dealing with HMRC is expected to improve as the tax check will give compliant businesses reassurance that HMRC is directly tackling their non-compliant competitors. It will also assist non-compliant businesses that wish to comply by directing them to support to get their tax affairs right.</p> <p>This measure is not expected to impact civil society organisations.</p> <p>Small and micro business assessment: The majority of businesses affected by this change are micro and small in size, since licensed drivers make up the greater part of the population affected by the measure and the majority of those are self-employed. Omitting small and micro businesses from the change would negate the purpose of the measure. The measure is expected to benefit compliant micro and small businesses by preventing non-compliant competitors from gaining a financial advantage. HMRC will ensure that small and micro businesses who may be digitally excluded or need extra support are directed towards additional help, via established HMRC processes.</p>
Impact on HMRC or other public sector delivery organisations	<p>The implementation and delivery of this measure will incur additional costs for HMRC in the form of IT changes, increased customer contact, work to assure compliance with the new process and funding due to licensing bodies for implementation of the policy change. Licensing bodies in Scotland and Northern Ireland will incur one off costs from updating systems, processes and literature and ensuring staff are familiar with the new requirements.</p> <p>There will be a small additional cost associated with the time spent by licensing bodies in processing tax registration checks.</p> <p>It is not expected that conditionality will lead to an increase in appeals or the volume of cases going to tribunal or judicial review.</p> <p>There is no impact on climate and fuel poverty targets and air quality targets.</p>

Impacts	Comment
Other impacts	Other impacts have been considered and none have been identified. HMRC seeks views from respondents as part of this consultation on any other potential impacts of this proposal.

5. Summary of consultation questions

Question 1. Do you have any comments about, or evidence of, the suitability of applying the existing conditionality policy model to taxi driver licensing in Northern Ireland and taxi and private hire car drivers, booking offices and metal dealers in Scotland?

Question 2. Do you agree that we should seek to apply conditionality using the same model as England and Wales, if not, why not, and what alternative model do you suggest?

Question 3. Are there any features of the licensing regimes or processes used by licensing bodies in administering them, which are incompatible with conditionality or the policy model outlined in chapter 2?

Question 4. Do you have any comments on the suitability of safeguards outlined in chapter 2 and are there any further safeguards needed in addition to those outlined in chapter 2 for the licences outlined in chapter 3?

Question 5. Are there any licence holders who may need additional support to engage with the tax check and what support do they need?

Question 6. Do you have any comments about, or evidence of, any impacts (positive or negative) of applying tax conditionality to taxi driver licensing in Northern Ireland and the licensing of taxi and private hire car drivers, booking offices and metal dealers in Scotland?

Question 7. Do you have any comments about excluding taxi operators in Northern Ireland from conditionality, in view of the existing checks undertaken?

6. The consultation process

This consultation is being conducted in line with the Tax Consultation Framework. There are 5 stages to tax policy development:

- Stage 1 Setting out objectives and identifying options.
- Stage 2 Determining the best option and developing a framework for implementation including detailed policy design.
- Stage 3 Drafting legislation to effect the proposed change.
- Stage 4 Implementing and monitoring the change.
- Stage 5 Reviewing and evaluating the change.

This consultation is taking place during stage 2 of the process. The purpose of the consultation is to seek views on the detailed policy design and a framework for implementation of a specific proposal, rather than to seek views on alternative proposals.

How to respond

A summary of the questions in this consultation is included at chapter 5.

Responses should be sent by 5 July 2021.

We recommend written responses are submitted via email to:
isbc.compliancepolicy@hmrc.gov.uk

Alternate postal address: ISBC Policy and Strategy, HMRC, Room 3/39, 100 Parliament Street, London, SW1A 2BQ.

Telephone enquiries 03000 584637 (from a text phone prefix this number with 18001)

Please do not send consultation responses to the Consultation Coordinator.

Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from [HMRC's GOV.UK pages](#). All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.

Confidentiality

HMRC is committed to protecting the privacy and security of your personal information. This privacy notice describes how we collect and use personal information about you in accordance with data protection law, including the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act (DPA) 2018.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018, UK General Data Protection Regulation (UK GDPR) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Revenue and Customs.

Consultation Privacy Notice

This notice sets out how we will use your personal data, and your rights. It is made under Articles 13 and/or 14 of the UK General Data Protection Regulation.

Your Data

We will process the following personal data:

- Name
- Email address
- Postal address
- Phone number
- Job title

Purpose

The purpose(s) for which we are processing your personal data is: Hidden Economy Conditionality – Northern Ireland and Scotland

Legal basis of processing

The legal basis for processing your personal data is that the processing is necessary for the exercise of a function of a government department.

Recipients

Your personal data will be shared by us with HM Treasury.

Retention

Your personal data will be kept by us for six years and will then be deleted.

Your rights

- You have the right to request information about how your personal data are processed, and to request a copy of that personal data.
- You have the right to request that any inaccuracies in your personal data are rectified without delay.
- You have the right to request that any incomplete personal data are completed, including by means of a supplementary statement.
- You have the right to request that your personal data are erased if there is no longer a justification for them to be processed.
- You have the right in certain circumstances (for example, where accuracy is contested) to request that the processing of your personal data is restricted.

Complaints

If you consider that your personal data has been misused or mishandled, you may make a complaint to the Information Commissioner, who is an independent regulator. The Information Commissioner can be contacted at:

Information Commissioner's Office
Wycliffe House
Water Lane
Wilmslow
Cheshire
SK9 5AF
0303 123 1113
casework@ico.org.uk

Any complaint to the Information Commissioner is without prejudice to your right to seek redress through the courts.

Contact details

The data controller for your personal data is HM Revenue and Customs. The contact details for the data controller are:

HMRC
100 Parliament Street
Westminster
London SW1A 2BQ

The contact details for HMRC's Data Protection Officer are:

The Data Protection Officer
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Consultation principles

This call for evidence is being run in accordance with the government's Consultation Principles.

The Consultation Principles are available on the Cabinet Office website: [Consultation Principles Guidance](#)

If you have any comments or complaints about the consultation process, please contact the Consultation Coordinator using the following link:

[Submit a comment or complaint about HMRC consultations](#)

Please do not send responses to the consultation to this link.

Annex A: Outline of tax check process

Conditionality will place two key obligations on licensing bodies:

- Licensing bodies will 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 (this could be achieved through a declaration on the application form).
- Where the application is not a first-time application, the licensing body must, before considering the application, obtain confirmation from HMRC that the applicant has completed a tax check. The outline process for the tax check is set out below.

Overview of the tax check process for renewal applications:

- The tax check is designed to determine whether HMRC has been notified about income earned through the licensed activity. It will ask the applicant about, for example:
 - their licence (for example, the type and expiry date);
 - the entity which is applying for the licence (for example, whether the application is made as an individual or a company). Subsequent questions will be tailored, accordingly;
 - whether they registered for tax (i.e., notified their chargeability to tax) and declared the income they received through the licence.
- Customers will have an option to declare that, in their opinion, they do not have an obligation to register for tax.
- Customers who need to correct their tax affairs would be able to notify their chargeability to HMRC before passing through the tax check; enabling them to complete it quickly. Other matters – for example, submitting returns or paying what they owe – would be addressed separately with HMRC and would not delay completion of the check.
- HMRC customer service staff will be available where a person requires support with the tax check and applicants will be able to carry out the tax check via telephone if they are unable to use the digital service.

Tax check step by step:

Part One – Applicant

1. Licence applicant receives their renewal reminder from the licensing body.
2. Licence applicant logs into the digital service and completes the tax check. The service will ask the customer simple questions about the licence being renewed and their tax affairs.
3. Once the licence applicant has answered the relevant questions and their statements are checked against HMRC systems, the tax check is completed.
4. HMRC digital service allows the applicant to securely provide confirmation of completion of the tax check to the licensing body.

Part Two – Licensing Body

1. Licensing body receives a licence application for consideration.
2. Licensing body logs into the HMRC digital service to view HMRC confirmation that the applicant has completed the tax check.
3. The licensing body considers the application.