Draft Finance Bill: tax checks on licence renewals and amendments to HMRC’s civil information powers

General Features

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LITRG has commented on two measures in the draft Finance Bill 2020-21.

Licence renewals

Under the draft legislation, from 4 April 2022 licensing authorities in the taxi, private hire vehicle and scrap metal sectors would be required to give guidance to first-time licence applicants about their tax obligations. LITRG has stressed that the guidance given to first-time applicants must be appropriate, taking account of the demographics of this group.

Before the licence can be renewed, however, the licensee must undergo a ‘tax check’ with HMRC. However, LITRG highlights concerns regarding this process, suggesting that deadlines need to be easier to determine and that HMRC should be obliged to complete the tax check within a certain timeframe. It also highlights that the tax check seems to go beyond the policy intent of checking whether the taxpayer is properly registered for tax.

HMRC civil information powers

A separate clause provides HMRC with the power to issue statutory information notices to financial institutions without the approval of either the taxpayer or a tribunal, as well as for the new purpose of tax debt collection. LITRG has expressed regret that the statutory safeguard of taxpayer/tribunal approval for third-party information notices is to be removed, even in the limited case of where that notice is issued to a financial institution.

Information notices under FA 2008 Sch 36 bring the individual upon whom the notice is served potentially in scope of penalties of up to £1,000 a day for failing to comply. LITRG has expressed concern that HMRC may use the threat of such penalties to vulnerable taxpayers with tax debt issues, pointing out that such an approach is unlikely to be effective.

Our submissions are available here: litrg.org.uk/ref394 and here: litrg.org.uk/ref393.