New tax checks on licence renewal applications

Management of taxes

29 October 2020

The CIOT has commented on draft legislation introducing tax checks on licence renewal applications.

The draft legislation introduces measures to help tackle the hidden economy by bringing in a check on tax registration for applications for licences to drive taxis and private hire vehicles, operate a private hire vehicle business or deal in scrap metal from 4 April 2022. This includes the following new measures:

- Licensing bodies will have to signpost first-time applicants to HMRC guidance about their potential tax obligations. We ask how this will be done to ensure that it reaches the applicant and that the licensing authority can obtain confirmation from the applicant that they are aware of and understand the contents of that guidance. We also ask what provision will be made for an applicant who may be digitally excluded, and how HMRC will accommodate digitally excluded people in the tax check process for licence renewals.
- An applicant who is not a first-time applicant will have to carry out a tax check within 120 days of a licence renewal. We point out that it will be essential that applicants are aware in plenty of time of the requirement to complete a tax check to ensure that their financial livelihoods are not put at risk. We ask that guidance contains examples showing how this will work in practice along with how the 120 day period operates.
- A new digital service is proposed, which businesses will need to use to apply to renew their licences. This will need to be adequately tested before it goes live on 4 April 2022 and, if there is a risk of it not working properly, its implementation should be deferred.
- The licensing body will have to obtain information from HMRC that the applicant has completed the check before being able to consider their application. This may not be possible if someone is in the process of bringing their affairs up to

date. We also note that it will be crucial that people can rely on the information HMRC holds on its systems, and that there are adequate safeguards in place in the event that HMRC’s records are not accurate or up to date, leading to the refusal of a licence.

Our submission is here: www.tax.org.uk/ref715.