Tax checks for taxi, private hire and scrap metal licences

Management of taxes

20 May 2022

Since 4 April 2022, all individuals renewing a taxi, private hire or scrap metal licence in England and Wales need to complete a ‘tax check’ with HMRC before they can renew that licence. The tax check cannot be carried out by an agent on the taxpayer’s behalf, but agents can play a role in explaining what their clients need to do. The rules also apply, with the necessary modifications, to those operating their business through a company or partnership.

The government has introduced ‘tax conditionality’ in these sectors to try and tackle the hidden economy. By making the relevant licence renewals conditional on demonstrating that the individual is properly registered for tax, HMRC hope that it will be more difficult for businesses to evade taxes.

The rules, found in FA 2021 Sch 33, prevent licensing authorities from renewing certain licences unless they have confirmed that the person renewing the licence has completed a tax check with HMRC in the previous 120 days. A tax check is a process where HMRC check whether an individual is compliant with Taxes Management Act (TMA) 1970 s 7 (notice of liability to tax) for the most recent tax year that ended more than six months before the tax check is started. For example, tax checks started now will consider the 2020/21 tax year. If the individual filed a tax return for the year being checked, they will need to confirm whether they included information relating to the authorised activity income.

In most cases, a tax check should be a straightforward online check and can be completed through GOV.UK at tinyurl.com/4kwjhsfp. The individual must usually create a Government Gateway account if they do not already have one, and answer a few questions about their circumstances. However, we are aware of some taxpayers having difficulty creating a Government Gateway account because they

do not hold the necessary identity documents (at present, foreign passports and driving licences issued in Great Britain cannot be used).

If a Government Gateway cannot be created, or if the individual is otherwise digitally excluded, it is possible to complete a tax check over the telephone. At the end of the tax check process, the individual receives a nine character code which should be passed to the licensing authority as part of the licence renewal application.

The requirement to undertake a tax check applies even if there is no obligation under TMA 1970 s 7. This might apply if the individual is an employee, or if there is no tax or National Insurance owed on their trading profits (for example, if the gross trading income is within their trading allowance for the year).

For first-time licence applications, there is no requirement to undertake a tax check but the licensing authority must draw the applicant's attention to information about tax compliance.

LITRG has published guidance at tinyurl.com/yc5trpx2 for individuals who need to complete a tax check.

Tom Henderson *thenderson@litrg.org.uk*