



HM Revenue
& Customs

Tax Conditionality

Information for Licensing Bodies

This is the first in a series of regular updates by HMRC to help licensing bodies prepare for tax conditionality, a new policy that will introduce a tax check into the licencing process for some licence applications in England and Wales from April 2022.

This update provides an overview of HMRC's progress in developing this new measure and explains how this will work in practice. It is intended to act as a brief guide to the policy. We will provide further updates between now and April 2022, and more detailed guidance on the operation of the tax check for both licensing bodies and applicants.

We also plan to provide communications to licence holders directly, including through trade representative bodies.

Legislation

Following earlier public consultation, Finance Bill 2021 contains the clause that will introduce tax conditionality to licence applications for taxi and private hire drivers, private hire vehicle operators and scrap metal dealers. This will apply from 4 April 2022. The legislation (see clause 121) can be viewed [here](#).

Subject to the will of parliament we expect this to receive Royal Assent in the summer. Further detail on the legislation, the policy rationale and the estimated costs and benefits can be found in HMRC's Tax Information and Impact Note, available [here](#).

In addition to the legislation contained in the Finance Bill, the administrative detail for how the tax check will work in practice will be set out in regulations. The draft regulations will be published later in the year for consultation and we will provide further details once the consultation is published.

New requirements on licensing bodies

Tax Conditionality places new requirements on licensing bodies in these sectors. These differ depending on whether the licence applicant is new or already licensed.

First-time applications

Before making a decision on these applications, licensing bodies will need to direct the applicant to HMRC's published guidance about their tax obligations. This will be available on gov.uk. They will also need to obtain a simple confirmation that the applicant is aware of this guidance. No tax check will be required for such applicants.

Subsequent applications

A subsequent application includes renewals but also those where an applicant currently holds a similar licence with one licensing authority and is seeking to be able to operate within an area covered by another licensing authority. A tax check will be required for these applications.

The tax check will confirm whether an individual or company was appropriately registered for tax and whether income from the licensed activity has been reported on a tax return. HMRC is developing a simple digital service that will enable licence applicants to complete the tax check and will provide assistance for applicants who are digitally excluded. This service will also

enable licensing bodies to confirm that a tax check has been completed. Further detail on how the tax check will work is set out below.

The licensing body will need to obtain confirmation that the applicant has completed a tax check before they make a decision on any application.

How is HMRC preparing?

Prototypes for the new digital service that will enable the tax check are currently being tested with some licensing bodies and some applicants. We will be looking for more licensing bodies to take part in our research activity, so please look out for future invites.

We will be providing further rounds of communication for both licensing bodies and licence applicants in the coming months.

We will provide practical guidance on what licensing bodies need to do to comply with the legislation ahead of the implementation date. In the meantime, licensing bodies can contact HMRC. In the meantime, licensing bodies can contact HMRC if they have any questions about the policy or implementation at isbc.compliancepolicy@hmrc.gov.uk

Further information for licensing bodies

What can Licensing Bodies can do to prepare for the changes?

Licensing bodies will need to update application processes by April 2022, to request confirmation that the tax check has been completed as part of licence renewal application processes.

They will also need to update application processes for first-time applications to direct applicants to HMRC guidance on their tax obligations and obtain a declaration that the applicant is aware of the guidance.

How will the tax check work for applicants and licensing bodies?

Applicants will use the new HMRC digital service to complete the tax check. During the tax check, applicants will be asked to provide information about their licensed activity and whether HMRC has been made aware of any income earned.

Applicants will have an option to declare that, in their opinion, they do not have to be registered for tax. This may be because they are holding the licence but not using it to trade. Anyone who needs to correct their tax affairs, i.e., register for tax, will have to do this before completing the tax check.

Once the tax check has been completed, the applicant will receive a tax-check reference which they need to give to their licensing body. Licensing bodies will use the HMRC digital service to confirm that the tax check has been completed.

How expansive will the tax check be? Will it go into people's financial history?

No. This will be a basic check to confirm that applicants are appropriately registered for tax and that income from the licensed activity is reported to HMRC.

Will licensing bodies have to deal with queries or complaints about the tax check?

No. Any queries or complaints about the service will need to be directed to HMRC. The licensing body will simply need to obtain confirmation from HMRC that the tax check has been completed by the applicant.

When will the digital service be available?

The digital service for licensing bodies will go live in April 2022. The tax check service for applicants will go live a few weeks earlier to enable people who need to make renewal applications on or shortly after that date, to complete their tax check in good time. The design of the service will be subject to multiple rounds of user testing prior to this.

Will HMRC provide an alternative option for people who are unable to engage digitally?

Yes. Those who are unable to complete the check online, or who need additional support, will be able to complete the check by contacting HMRC's helpline or utilising HMRC's extra support service.

When will HMRC publish detailed guidance for licensing bodies/applicants?

We expect the guidance to be published on gov.uk in January 2022.

How will the process work for first-time applications?

A tax check is not required to support a first-time application. Where an individual or entity makes a first-time application, the licensing body will need to direct them to HMRC guidance which will include details on how to notify HMRC about income.

Applicants will need to confirm they are aware of this guidance. In practice, it is expected this will be completed via a declaration on the licence application form.

Will licensing bodies get any financial support to implement the tax check?

Yes, additional funding for licensing bodies to make changes to their current systems will be made available. This will be done in accordance with the Government's New Burdens Doctrine.