

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**



**CORPORATE LEADERSHIP TEAM'S**  
**REPORT TO LICENSING & PUBLIC PROTECTION COMMITTEE**

**30<sup>th</sup> January 2025**

**Report Title:** Tax Conditionality Consultation  
**Submitted by:** Licensing Administration Team Manager  
**Portfolios:** Finance, Town Centres & Growth  
**Ward(s) affected:** All

<b><u>Purpose of the Report</u></b>	<b><u>Key Decision</u></b>	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
To inform Members of a HMRC consultation in relation to expanding tax conditionality to new sectors.			
<b><u>Recommendation</u></b> That Committee:  1. Note the contents of the report; and  2. Agree that the officer proposed consultation response be sent to Government prior to the closing date.			
<b><u>Reasons</u></b>  HMRC have published a consultation which proposes expanding tax conditionality to new sectors. Two of the sectors are administered by the Borough Council and officers' have drafted a response to the relevant sections of the consultation.			

**1. Background**

- 1.1 The hidden economy consists of individuals and businesses with taxable income that is hidden from HMRC. Historically this has been in sectors where payments for services were made predominantly in cash and undeclared.
- 1.2 Between 2016 and 2021 HMRC conducted three separate consultations into how to tackle the hidden economy. The initial report stated that HMRC estimated that in 2014-15 the hidden economy accounted for £6.2bn of missing tax revenue.
- 1.3 In April 2022, the government introduced tax conditionality to make the renewal of licences to drive taxis and private hire vehicles, operate private hire vehicles, and deal in scrap metal in England and Wales conditional on applicants completing checks that confirm they are appropriately registered for tax. In 2022-23 HMRC estimated that the missing tax revenue figure had dropped to £2.2bn.

- 1.4** On 30<sup>th</sup> October 2024 HMRC published a consultation to expand tax conditionality to three additional sectors:
- Waste;
  - Animal Welfare; and
  - Taxi (Hackney Carriage) and Private Hire Vehicle licences.

It also asks questions that relate to potential changes around the current regimes covered by conditionality. The consultation closes on 31<sup>st</sup> January 2025.

## **2. Issues**

- 2.1** 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 ongoing 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. It is noted that not all of those within the hidden economy are doing it deliberately.
- 2.2** As previously stated, since April 2022 those persons that wish to drive hackney carriage and private hire vehicles, operate private hire vehicles, and those who are scrap metal dealers have had checks carried out on their tax status. Those wishing to enter these regimes are notified in advance of the first licence being issued of their responsibilities in correctly registering for tax.
- 2.3** Experience within the Council, echoed nationwide, is that the implementation of tax conditionality has been straightforward for both the persons involved and the local authorities implementing the checks.
- 2.4** For first time applicants the Council provides the relevant information to the applicant as required. For those renewing their licences, they provide the Council with a check code, created via the Government Gateway Portal, which allows offices to conduct a check on their tax status. The check code is specific to that individual/company and provides a positive or negative return. With a positive return the Council can continue to review and administer the application. If a negative return is received then the application cannot progress. A third return exists which is where the code does not meet that individual/company's details. In officer's experience this has generally occurred when the person has mistyped personal information in creation of their account, or they have registered for the wrong type of licence e.g. the application is for an operator licence but they have requested the tax code from a driver account.
- 2.5** This consultation relates to three sectors. The first, Waste, relates to licences/authorisations issued by other regulatory bodies such as the Environment Agency. Officers' response into this section of the consultation is that it may be appropriate to include this sector.

- 2.6 In relation to 'Animal Welfare' the proposal is to introduce conditionality to persons involved in Dog Breeding, Animal Boarding Establishments and Pet Selling. They are also requesting information from Stakeholders as to what other animal welfare elements could be included.
- 2.7 In relation to 'Hackney Carriage and Private Hire Vehicle Licences' the proposal is to introduce conditionality to persons who apply for licences for those vehicles. There are instances where the proprietor of vehicle licence is neither a licensed driver nor a private hire operator so would capture these individuals/businesses.
- 2.8 As part of the consultation HMRC are also asking for views around Pedicabs in London, whether the current safeguards are appropriate and whether tax conditionality could apply to any other existing or new licensing regimes.
- 2.9 A copy of the Officer's response is attached as **Appendix A**. In brief, the Officer's view is that tax conditionality provides a valuable tool, which is easily administered, to prevent persons involved in regulatory sectors from staying within the hidden economy and expanding the number of sectors to which it relates can only be beneficial to Government and wider society. Proposed responses to each question are included within Appendix A.

### 3. **Recommendation**

3.1 That Committee:

3.1.1 Note the contents of the report; and

3.1.2 Agree that the officer proposed consultation response be sent to Government prior to the closing date.

### 4. **Reasons**

4.1 There is no statutory requirement to respond to this consultation however officers' view is that it is important to provide the Council view on topics that effect our residents and those who work and live in the area.

### 5. **Options Considered**

5.1 To not respond to the consultation; and

5.2 To limit the consultation response to only the questions specific to the sectors dealt with by the Council.

### 6. **Legal and Statutory Implications**

6.1 There are no implications arising in relation to responding to the consultation. Should proposals be implemented then there will be additional statutory requirements placed upon the Council.

### 7. **Equality Impact Assessment**

7.1 Not applicable

## 8. Financial and Resource Implications

- 8.1 There are no finance implications arising from responding to the consultation. Any additional statutory requirements placed upon the Council which will have a resource implication on actioning the checks.

## 9. Major Risks & Mitigation

- 9.1 Not applicable.

## 10. UN Sustainable Development Goals (UNSDG)



## 11. One Council

Please confirm that consideration has been given to the following programmes of work:

One Commercial Council

One Digital Council

The Council will use all available technology in the administration of licence applications, and where necessary, any subsequent hearing and/or compliance actions.

One Green Council

## 12. Key Decision Information

- 12.1 Not applicable.

## 13. Earlier Cabinet/Committee Resolutions

- 13.1 Not applicable.

## 14. List of Appendices

- 14.1 Appendix A - Officer response to the consultation

## 15. Background Papers

- 15.1 [HMRC consultation document published 30<sup>th</sup> October 2024](#)