

APPENDIX 2

Suggested Response

Question 1

Please provide comments or evidence on the suitability of the Government's proposals to apply conditionality to one or more of the licensing schemes outlined above. In your answer please comment on:

- **The extent to which check's on people's tax registration status would address problems highlighted in the relevant sectors, or whether additional or alternative measures of compliance should be considered.**

The Council considers that there are a minority of individuals operating within this area who may not be compliant with the tax system. The proposal to check the tax status of applicants may assist in identifying these individuals. The Council also believes there would be merit in running benefit checks; it has some concerns that a minority of individuals who work in the hidden economy are fraudulently claiming benefits.

- **How effective conditionality would be in improving standards of tax compliance in the sectors concerned.**

It is not possible for the Council to quantify this having no experience in this area or knowledge of the levels current non-compliance. It is considered however that not all who would need to provide details of their registration under conditionality would need to be registered under existing legislation and this may be an issue in achieving tax compliance.

- **Any positive or negative effects that conditionality would have upon the compliant majority who trade in the relevant sectors; please provide details of any additional one off or ongoing costs that might be incurred.**

Any measures that introduce and promote a fair system for all are likely to be supported by those currently complying with the law. There should be no benefit to breaking the law and the requirements would help to remove unfair competitive advantage. The introduction of conditionality should not however introduce a substantial additional administrative burden on individuals and businesses as the vast number are compliant.

The requirements will necessitate some changes to back office systems to manage the information that is required and any verification etc. There will be a cost associated with this but it is difficult to quantify until the exact proposals are known.

Question 2

Please provide comments or evidence on the suitability of applying forms of conditionality – or similar approaches to promote tax compliance – in the construction sector?

No comments

- **Are there any other sectors that the government should consider for similar applications of conditionality?**

If the process of checking tax compliance is very simple then it could be applied to a wide variety of licence applications for example those issued under the Licensing Act 2003, in particular in relation to personal licences.

Question 3

Please describe how tax registration or a similar standard of compliance could be introduced into existing terms and conditions of licences

- **Would it be best to introduce tax conditionality as a new, standalone condition of licences, or would it be better included as a consideration with fit and proper person or similar checks?**

It should be included as a consideration with fit and proper checks where they exist and where they don't it should be included as part of the initial application procedure.

- **Would tax registration be the best standard of compliance or should a similar or broader standard of compliance be introduced – if so, what additional factors should be considered?**

In considering any form of compliance the primary consideration should be ease of use and verification. As tax registration can be complicated and vary depending on the individual circumstances. Consideration could be given by HMRC to issuing a unique code to all individuals/businesses for the purposes of proving tax compliance. A lookup system could then be used by all issuing authorities which would minimise the burden on the Authority.

Question 4

Please comment on the proposed process for introducing tax checks into new licences

- **How effective would it be in promoting registration?**

It is likely to draw some of those on the fringes of the hidden economy into the tax system, however it is likely that those operating knowingly within the hidden economy will be unaffected by the requirement as they are unlikely to

hold licences for the activities they operate and are therefore unknown to the Council.

- **How easily could the required changes be introduced into licensing processes?**

This will depend on what is ultimately required but a simple proof of tax registration will be relatively easily to incorporate. The Council is used to accepting and verifying a wide range of documents as part of its licence application processes.

- **Please provide details of any one-off and ongoing costs that might be incurred**

There will be the initial costs of amending websites and software etc. The ongoing cost will be in staff time verifying documentation and any further follow up action required.

Question 5

Please provide evidence on the likely effectiveness of the proposals in motivating more applicants to register with HMRC.

No comments.

Question 6

Please provide further evidence on the suitability of the options described for verifying the tax registrations status of people applying for licences.

- **If evidence of an applicant's registration status is generated through personal or business tax accounts' how could applicants transfer this to a licensing authority in a secure and efficient way?**

Could the tax administration system be amended to allow a third party to receive confirmation of status, or change of status? It is believed that something like this is already in place to allow accountants for example to view certain information online.

- **If evidence is generated through the use of documentation, how could applicants transfer this to a licensing authority in a secure and efficient way?**

We wouldn't be encouraging the generation of paper, could the applicant request that confirmation of status be emailed to an address of their choosing?

- **Would an option be needed for those who do not engage digitally with HMRC?**

Yes, there will need to be an option for those who don't engage digitally. The Council has to build this into its services and would need to do so for any requirements placed upon it by the new legislation.

Questions 7

How frequently would applicants have a permissible reason for not being registered in the sectors outlined in Chapter 2?

- **If applicants have a permissible reason for not being registered, how should they be able to demonstrate this in order to obtain the licence?**

No comments

- **How can HMRC ensure that any process is simple for applicants and licensing authorities to administer?**

See the answer to Question 3 above.

Question 8

Should licensing authorities refuse to process licences where no evidence is provided to verify an applicant's declaration that they are registered for tax?

Yes. The simplest method for the Council to administer would be to make it an absolute requirement that evidence must be provided and if it isn't then applications will not be processed. This removes the burden from the Council to chase information and puts the onus on the applicant to supply the information at the outset.

Question 9

Please comment on data powers that might be needed to support the data registration checks described in this chapter.

No comment.

Question 10

Please comment on the circumstances in which HMRC could disclose relevant information back to a licensing authority

- **What action would licensing authorities wish to take in these cases?**

This would depend on the information disclosed and the application/licence in question. Where there are suitability criteria this may be relevant to the continuance of a licence.

- **Are their circumstances in which licensing authorities would wish to be informed about a licence holder engaging in tax non-compliance, beyond a failure to register for tax? Please describe what these would be –**

Yes, holders of any licence in relation to taxis and private hire drivers as it may affect their fit and proper status.

Question 11

What one off and ongoing costs and administrative burdens do you think will arise as a result of this proposal? Please provide evidence on the extent to which these proposals would minimise additional administrative burdens for licensing bodies?

The one off costs relate to the set up costs; making the necessary changes to online services and back office systems. Ongoing costs and administrative burdens are those that relate to the requirement to check documentation and any follow up action required. If the proposals are kept to a simple supply and verification process the then administration will be minimised. Any additional requirements will increase the burden on the authority particularly as there is no indication of additional funding being made available for this work. Any additional costs will need to be recovered from licence holders where the authority is able to determine its fees to cover costs.

Question 12

Are there any extra steps or safeguards that should be considered, particularly for customer groups who may find it difficult to provide proof that they are registered for tax?

There may be customers/businesses who for a wide variety of reasons find it difficult to navigate the tax system and it is of concern that they may face lengthy delays in obtaining the necessary proof in order to get a licence to which they are legitimately entitled. Consideration could be given to providing applicants, in appropriate circumstances, a form of temporary registration to enable them to access the necessary licence. If limited to a set period and followed by a requirement to reapply, this would help minimise the burden on the Authority.

Question13

Do you agree that the proposals set out in Chapter 3 strike an appropriate balance between the need to safeguard customer privacy and to address the risks posed by the hidden economy? Are there any different or additional safeguards that the government should consider?

Yes but only if the ultimate solution for conditionality is simple for all parties to operate

Question 14

Please provide evidence on the extent to which these proposals would minimise administrative burdens for licensing authorities, Are there any extra steps or safeguards that should be considered?

No comment.

Question 15

Please describe appeal mechanisms that would, or should, apply in relation to the proposals details in Chapter 3. Please describe any additional one-off and on-going costs or any administrative burdens associated with these proposals, and how they could be kept to a minimum.

Appeals should follow the same route as exists for the vast majority of licensing applications with appeals being made to the Licensing Committee and then with a further right of appeal to the Magistrates Court.