



Select Committee on Economic Affairs

Finance Bill Sub-Committee

Uncorrected oral evidence: Draft Finance Bill 2020-21

Monday 12 October 2020

5 pm

Watch the meeting

Members present: Lord Bridges of Headley (The Chair); Baroness Bowles of Berkhamsted; Lord Butler of Brockwell; Viscount Chandos; Lord Forsyth of Drumlean; Baroness Kramer; Lord Monks; Lord Rowe-Beard.

Evidence Session No. 4

Virtual Proceeding

Questions 31 - 45

Witnesses

I: Antonia Grey, Public Affairs and Communications Manager, British Metals Recycling Association; Steve McNamara, General Secretary, Licensed Taxi Drivers Association; Steve Wright MBE, Chair, Licensed Private Hire Car Association.

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Examination of witnesses

Antonia Grey, Steve McNamara and Steve Wright.

- Q31 **The Chair:** Welcome to the second session of this afternoon's meeting of the Finance Bill Sub-Committee. This meeting is being recorded and broadcast live via the parliamentary website. A transcript of the meeting will be taken and published on the Committee website. You will have the opportunity to make corrections to that transcript where necessary.

Thank you very much to our three witnesses who are joining us for this session. Could you introduce yourselves to the Committee?

Antonia Grey: Good afternoon. I am the policy and public affairs lead for the British Metals Recycling Association.

Steve McNamara: I am the general secretary of the Licensed Taxi Drivers Association, the LTDA. We represent London's black cab industry.

Steve Wright: I am chair of the Licensed Private Hire Car Association. I was a driver. I did half a million miles. I was also an operator and worked with over 2,000 drivers. Last but not least, I worked with Lord Young to get the 1998 Act on the statute in London for the industry.

- Q32 **The Chair:** Can I start with a very simple question about the tax checks for licence renewals? What is the problem that this policy is trying to address? Are there other powers that can and should be used to address that problem before we go down this route of action?

Antonia Grey: This is HMRC's move to try to pull some of the non-compliant companies out of the dark. I fear that it will not work, because a lot of the non-compliant operators in the scrap metal business are not licensed and therefore are not visible to HMRC in that way.

Steve McNamara: We do not think there is a problem at the moment in the black cab industry in London that particularly needs addressing. However, we are happy to add yet more regulation to our burden. In all cabs in London, payments are done through credit cards and apps. There is very little in the way of cash payments now. We are happy to comply, although we are tackling a problem that does not really exist in our sector. None the less, we are happy to go along with it.

Steve Wright: I have a slightly different view. I listened to what was said earlier, and it is a bit of a misnomer, in a way, to say that it is all about cash. Let me tell you that money can dance out of the country via credit card and IBAN. I have had discussions with the Revenue. Lord Butler made a very astute point earlier: it is the person with the second job or, I would add, the person who is in the social security system who is not necessarily in employment at all. Those people are causing the problem.

With multinational companies paying drivers directly by IBAN transfers, there is quite a big black hole in the economy. The operators and drivers

working legitimately are exploited by international companies that domicile their tax arrangements abroad.

Chair: Picking up on that point, that is obviously something you are saying will not be addressed by this.

Steve Wright: No, it will be addressed.

Chair: I am sorry. I have misunderstood. What is your point?

Steve Wright: If you have to declare your UTR, your unique tax reference, at the onset of licensing, you are then in the system. If you are in the social security system, you are defrauding the Revenue. If you are paid money by IBAN into an international bank account, there is a way of tracing that. It is not all about the old driver earning a bit of cash and sticking it in his back pocket. In the discussions I have had with the Revenue, these are extremely large amounts of money.

Chair: On the scrap metal merchants, Antonia Grey, how big a problem is this? How much revenue will HMRC be able to collect? I see they are projecting that this will yield, in 2022-23, £35 million in total. How much of that will come from scrap metal merchants?

Antonia Grey: Very little, I fear, because the vast majority of them that are legitimately licensed will be tax compliant. It is the illegal operators, which are not licensed and therefore not visible, that are responsible for some of the missing monies. This is policing the policed; they are not going to discover those people who are unlicensed, and we have a lot of unlicensed operators in the sector.

Chair: Steve McNamara, is that not really the same problem that I asked at the start of the first session? We are not going to catch the unlicensed and the real culprits here with this measure.

Steve McNamara: The reality in our part of the sector is that we are licensed; there is nobody driving a black cab who is not licensed. I share Steve Wright's concerns that the legislation is proposing to catch sprats when the mackerels and the bigger fish are using IBAN and double-Dutch tax dodges to avoid tax on \$70 billion and \$100 billion companies. That is where the Revenue could gather large sums of money: by bringing those companies into the taxation system, rather than chasing individual drivers here and there.

Lord Forsyth of Drumlean: I think you are making a veiled reference to Uber and other companies not paying corporation tax, whereas the Committee is concerned with the particular provisions in the Finance Bill that relate to making it a condition of you having a licence that you are able to satisfy that you are tax compliant.

Surely, to the Chair's question, if there are what you call sprats, if they are only sprats, the Revenue's ambitions to collect revenue will be disappointed. Is there not a danger that, by introducing this licensing, these sprats turn into a shoal of sprats in order to avoid this, if they are

dishonest people?

Steve McNamara: As far as I am concerned, in London there are very few drivers in the private hire sector who are not licensed now. That problem has largely gone away. The option for people to vanish out of the system and start operating unlicensed is virtually non-existent, so, no, that would not be a concern.

Steve Wright: I agree. Most of them are in the system.

Q33 **Lord Rowe-Beddoe:** In our earlier session, reference was made on several occasions to the extra burdens that this legislation could put upon "third parties". I want to ask you about that in a second. Given what is proposed for the organisations that you represent, will there be an additional burden that will manifest itself during implementation?

Steve Wright: No. I have had two meetings in Whitehall with HMRC; we had lengthy discussions. I took an industry tax expert with me who had been working on the beta-testing of the HMRC portal. It should be a relatively simple process to get a unique tax reference, which anybody who is paying tax will have, and give that forward. The process should not be that onerous at all. It should be fairly straightforward. There was talk of forms to fill in and what-have-you. My understanding from my discussions with the Revenue is that it was just as simple as providing your UTR. At that point, you just add that to your licence application. There were not masses of checks and measures to follow that.

Steve McNamara: I agree largely with what Steve has said. It is simply obtaining a unique tax reference from the Revenue and putting it on your licence application—job done. In the vast majority of cases, I cannot see it presenting any problem whatsoever.

Antonia Grey: It is the same thing for metal. It is a simple process. However, we have a lot of people who are not online and are still digitally illiterate. There has to be a secondary process in place so that can be done manually, and I am not sure that that system or that way of thinking is yet evidenced.

Lord Rowe-Beddoe: Are those who are "digitally illiterate" not that many? We are talking about 10,000 scrap metal dealers, I understand.

Antonia Grey: When the Scrap Metal Dealers Act was first introduced, there were some 6,000 site licences and 9,000 collectors' licences. Over the years of lack of enforcement, that number has dwindled somewhat, but there is still a proportion that are offline when it comes to tax.

Chair: You said there was a lack of enforcement. Could you just explain what you mean by that?

Antonia Grey: When the Scrap Metal Dealers Act came in, it banned cash at its heart. We have seen a lot of cash payments going ahead, and it has got worse every year out from the Act. There is not the funding in local authorities or police services to enforce the Act.

Chair: Would it not be better spending money on enforcing the Act than creating a new mechanism that will cost even more money?

Antonia Grey: Yes, absolutely.

Lord Rowe-Beedoe: It would appear that we may be taking a sledgehammer to crack a drawing pin in certain areas. You are saying, if I may suggest this, that you are fairly confident that the black side of the metal business is relatively small.

Antonia Grey: It is rather large. We are being undermined by a whole load of cash players who are unlikely to be licensed and are therefore not visible to HMRC.

Lord Rowe-Beedoe: But the actual number of people who operate is quite small. Is that correct?

Antonia Grey: You mean operating on the black side. Relative to those who are operating legally, yes.

Q34 **Baroness Bowles of Berkhamsted:** HMRC acknowledges that some businesses are non-compliant because they do not fully understand what is needed in order to register for tax or see the process as too difficult. In the previous session, there was some mention of English not being the first language of many people.

What is your view on that? What has HMRC done to help businesses understand their obligations? Is there more they could do? I noted, Mr Wright, that you said you had seen the system demonstrated and it looked easier. What we are looking at here is before that, when the individual has to apply to get their UTR.

Steve Wright: There are two aspects. First and foremost, you have the operator. That is the person who manages a private hire business, whether it is one vehicle or many thousands. Secondly, you have the driver. Most people who come into the business and who apply for a licence are fairly familiar. They need an accountant to hold their hand to do the process. Interestingly, on the driver side, unlike the scrap metal side, you have to be tech-savvy. Most work is distributed now by technology and the internet, and there are multiple ways in which that is done. You even have clever things like language translators and all sorts of things. If people have a basic grasp of English, these things can enable them to work legitimately in the sector.

With regards to managing your tax affairs, whichever language is your native tongue, you have a duty of care and responsibility to do that and to get help from others if you cannot do it.

Steve McNamara: We do not have the language problems in our side of the industry. To drive a taxi in London, you have to do the knowledge of London; to do the knowledge of London, you have to have a good command of English.

In terms of technology, the vast majority of taxi drivers in London rely on technology in one way or another, using the apps that are available to us. Virtually everything to do with licensing now is done online, so we do not see a problem with drivers not being able to use the technology. Those who do have a problem with it, who are predominantly older members, come in and see us, and we help them do it. We do it online and we have call-takers who help them do it. It is not really an issue to us.

Antonia Grey: I echo that. It is not an issue. The language translation is there. The system to become compliant is fairly simple, and I agree that it is an obligation to do it.

Baroness Bowles of Berkhamsted: That means that you have people who register and are in the system, even if they are fiddling the numbers a little, and you have the deliberate avoiders, who probably are not going to bother with licences either. Not that many are caught in the middle category—the accidental avoiders—who might be nudged into the camp of registering. Is that a fair assessment?

Antonia Grey: Yes.

Steve Wright: With regards to the avoiders, as I pointed out, our evidence is that there is considerable avoidance by people working in particular, ironically, in the tech companies. They are doing the minimum of 16 hours or doing another job and not declaring it. A significant amount of money is lost to the Revenue there.

If this is uncomplicated, straightforward and as simple as putting in a unique tax reference, it will be very minor on the actual overall process of licensing, which has a medical check, a CRB check and a million other checks and measures. Asking for a unique tax reference is a fairly basic step that could bring the Revenue a lot of money. Most importantly, it would stop undermining the people who are doing things properly.

Baroness Bowles of Berkhamsted: I am not quite clear that I got your direction of travel there. You are saying that if people are working in multiple jobs—they could be in the gig economy—they could have a tax reference as a self-employed person rather than a PAYE, but that might not be to do with their taxi work.

Steve Wright: They can utilise that. That is their tax reference. That plugs them into the system. As I understand it from my talk with the Revenue, there is no requirement to have a special status to be a taxi person. All of us have a unique tax reference. If you look at your tax paperwork when it comes to you, it will have your UTR on it. This is to try to say to people, "You need to declare the unique tax reference to get a job as a taxi driver".

Lord Forsyth of Drumlean: Mr Wright, why does having a tax reference prevent people from fiddling their taxes? Almost everyone has a tax reference, but we still have a black economy. Why will that do the trick from the point of view of the Revenue?

Steve Wright: I am not suggesting it is a solve-all. I am suggesting that, if you have this unique tax reference, if you come into an industry where it is perceived that you can get away with transferring money abroad and working in the black economy, as a starting point you do not stop the person coming into that sector who comes in with the actual intention not to pay any tax or to keep drawing on benefits they should not be entitled to.

Chair: Surely, though, if it does not prove anything, the Revenue will need to come back for more information, will they not, Mr Wright?

Steve Wright: Not specifically, no. The idea is to prevent people with the intention of doing so coming into the economy. That is what it will solve. I do not see it as a catch-all or a system or a mechanism to rein in the people who are just coming in and staying in the black economy.

Baroness Bowles of Berkhamsted: Could it be that the Revenue would ask the licensing authorities to give them a list of all the UTRs that belong to taxi drivers and then somehow cross-reference that with tax returns?

Steve Wright: My understanding of it was that, when they complete their application form, part of the form would be to put in the unique tax reference, and that tax reference would then be submitted to the Revenue. You are currently required to give your national insurance number, but it is not logged in any way.

Lord Monks: Putting two and two together and possibly making five, the whole point is that by having the licence include the tax reference, it is a shot across the bows of the applicant taxi driver. Just as with immigration, the taxi person will think, "I have to comply with tax". We learned earlier, from the licensing people, that, as long as you register, nobody from the licensing world will ever check your tax returns after that. It does not remove any particular responsibility on the part of the Revenue. I am just wondering whether I have it right when I say that.

Steve Wright: Yes, you are absolutely correct. It stops people coming into an economy where they can avoid paying tax with a second job or where they come in with the specific intention of passing money, via IBAN transfer, abroad. It has gone away from the scenario of cash in the back pocket to money being transferred abroad or wherever into a bank account and completely avoiding the system. From all my talks with the Revenue, that is what they sought to stop happening.

Baroness Kramer: Mr Wright, this is just a point of clarification; tell me whether I have this wrong or right. Do I understand that your position is that most people who participate in the black economy in the world of taxi driving, hire cars, private car hire, et cetera, actually get themselves licensed and just keep their finances in the black economy?

Steve Wright: Yes, correct.

Baroness Kramer: That differs somewhat from some of the perspectives we have heard, which is that there is a substantial black economy in

which people are neither licensed nor declaring their earnings. Your view is that nearly everybody who is in the black economy is actually a licensed player at the moment.

Steve Wright: Yes. We had a club that worked in the East End of London. When the apps came along, drivers who were standing on the street corner got themselves an app to get a supply of semi-legitimate work. It was quite interesting. The guys on the street corner were sitting there, still being on the street corner to a degree but actually taking work on an app and avoiding the tax system. There was one operator who was very heavily involved in nightclubs and several clubs in London, and the business folded because he was undermined by drivers who were effectively working outside the tax system.

Q35 **Lord Butler of Brockwell:** I have found this part of the conversation rather reassuring. If it is simply a matter of showing a UTR when you apply for a licence, it sounds as if there is no risk that people will unfairly lose their licences by any complication or delay in the system. It is completely straightforward. Is that your view?

Steve Wright: It is certainly my view.

Steve McNamara: I would go along with that. It is simply that people who are existing licensees would have to be registered with the Revenue and the Revenue would be aware that they were existing licensees. The issue is not people who are unlicensed in the taxi and private hire industry. That has virtually gone away, certainly in the Greater London area. The vast majority are licensed in some way, shape or form.

The only issue is whether they are registered for tax. Having to declare your UTR when you change or renew your licence would make the Revenue aware of what you were doing. There is no disadvantage, as far as we are concerned, in delays to licensing or anything.

Lord Butler of Brockwell: The only risk, which you referred to earlier, is that you have a UTR for some other employment, but that does not reveal to the Revenue or to the people who are granting the licence that you also have a job as a taxi driver.

Steve McNamara: Yes, that is absolutely right. The way we understand it will work—we have had discussions with TfL and we have had discussions with the Revenue—is that the Revenue would then become aware that you, as an example, have a taxi or a private hire licence, and we would then expect that they would want to see some sort of declaration relating to that income in addition to your normal nine-to-five PAYE job or your other self-employed job. That is how we understand it will work.

Lord Butler of Brockwell: Would the Revenue ever discover that? You are making an application to the local authority. You are making an application for a licence for a taxi; you show your UTR, which you have from some other employment; the local authority grants the licence. Does the Revenue ever get to know that you have been given a licence

as a taxi driver?

Steve McNamara: My understanding, which is only from discussions with TfL in London, is that it would then share that reference with the Revenue to say, for example, that I have a taxi licence and this is my UTR number.

- Q36 **Viscount Chandos:** There seems to be a consensus between the HMRC and the three of you that the vast majority of businesses in your respective sectors are tax compliant. It sounds like at least some of you still think that what is proposed is justified and sufficiently light-touch that it is acceptable, notwithstanding the fact that it is only trying to address, by your and HMRC's assessment, a small minority. Just to be clear, that is the view of you as the member associations, and you are confident that also reflects the view of your underlying members.

Steve McNamara: I am extremely confident that the vast majority, if not all, of my members are tax compliant anyway. As I said to you earlier, we are the most highly regulated taxi industry anywhere in the world. The simple addition of putting a UTR on a licensing form is certainly not going to be any more burdensome to us than the stuff we already do. I am confident that the majority of my members would support it.

Antonia Grey: I agree. The majority of our members are tax compliant. This goes back to the issue of unlicensed operators. My concern is that having to put the code on will encourage people to fall off and not renew their licences, so we will have more unlicensed operators. It is a step too far and it will discourage people who have been non-compliant with tax. They will just not bother to renew their licence, because again, as I said, there is a lack of enforcement and they know they are not going to be found out.

- Q37 **Lord Forsyth of Drumlean:** I am a bit confused. I am hearing a tale of two Steves. On the one hand, we are being told, "There is not much cash in our industry, and all our people are honest, law-abiding and regulated by licences". Similarly, Antonia is telling us, "All our licensed scrap dealers are honest, law-abiding and paying their tax", but, in the case of the scrap dealers, there are a whole load of people out there who are not licensed, not paying their tax and, furthermore, not obeying the regulations that apply to that industry, which require no cash transactions.

If that is the case, why are licensed scrap metal dealers and licensed taxi drivers not grossly offended that the Revenue has chosen you to introduce this legislation? Presumably, they thought they would be able to get a lot of additional revenue as a result of it. If you are right, they are not going to get that. The only case I can hear you making—Mr Wright made this point—is that it might mean that new people who were in the black economy would not want to enter the industry, because they would need to have a tax number. That does not alter the impact on the revenue that is being lost by people who are dishonest. I am finding it

difficult to understand why you are supporting this, unless it is just as a PR thing.

Antonia Grey: We have not supported this. We made a request for evidence to find out why HMRC had chosen scrap metal dealers. I did an FOI and it was declined; they refused to answer, so I have no evidence to know why they have targeted scrap metal dealers.

Lord Forsyth of Drumlean: We can ask them that. Can I go back to the tale of two Steves? You are saying slightly different things.

Steve McNamara: We genuinely do not think we are a problem. As I have said to you, we are the most regulated taxi industry in the world. A lot of my members would suspect that Steve's members are the ones who are not paying their fair share of tax, which is why my members would welcome it.

Lord Forsyth of Drumlean: Why are you in favour of your members having to pay more for their licences? That will be the impact of this.

Steve McNamara: I do not see how there would be any impact on the cost of licensing.

Lord Forsyth of Drumlean: We have just heard evidence in the previous session from the licensing authority that they would charge back the additional costs of this, which would be considerable. They rejected HMRC's assessment of the cost.

Steve McNamara: I was not aware of that. I must have missed that part.

Lord Forsyth of Drumlean: Who will pay for all this?

Steve McNamara: I struggle to see the cost implications for it. It is a box on a form that is digitally collected, which is then shared with the Revenue.

Q38 **Chair:** The Government say that the measures will have a significant impact cumulatively on around 400,000 businesses by 2022-23, and they put the cost at £700,000 cumulative, and that is each year. Would you dispute that it will have that kind of impact?

Steve McNamara: Nothing would astound me with what things cost, but I struggle with this one. I am going to fill in my licence application digitally, either for the first time or as a renewal. I am going to enter my UTR number on the form—job done. If you look at all the existing hoops that we have to jump through—Steve mentioned some of them—with the DBS, photographs and everything that needs to be done, it is quite time-consuming. I cannot see how another box with another number can be that cost-prohibitive. You have heard evidence that it will cost that, but I fail to see how it can.

Steve Wright: I come back to the point Lord Forsyth made. It is not just those entering. My understanding is that, upon renewal, you will be

required to get this measure. People who are undermining the sector will go out of it. I also share Steve McNamara's view that it cannot be massively costly to get a unique tax reference, which is one field in a database and one set of numbers on a form, and manage that in the HMRC's portal. It will be a direct link from the licensing authorities. I have worked with the Joint Air Quality Unit on similar things. The costs are not going to be prohibitive for the cost of licensing. I would be the last person to want to put bureaucracy or cost of any scale on licensing, because I am absolutely against it.

Lord Forsyth of Drumlean: You agree that the problem of people who are abusing the system is more with your members than with McNamara's.

Steve Wright: To put the classification on my members, in London, for example, we represent probably 15% of the licensed private hire operators. I cannot speak for the 85% we do not represent, but we go in and inspect our members. We do a grading visit, and we check all the things that are required, such as their Revenue status and what-have-you.

Lord Forsyth of Drumlean: You are accepting that the problem lies with people in your sector rather than in Mr McNamara's.

Steve Wright: Yes, because the Revenue has a well-known formula for taxi drivers who are licensed. It is a vocation. In private hire, it is more often a secondary job or an infilling job. It is entirely different. There is a complete difference. You do the knowledge for three years in London to become a licensed taxi driver. It is a vocation. Many people, like me, entered the private hire industry for a short period of time. Famously, the guy who founded Addison Lee came into the industry for three months and then sold it for £350 million. People come in with the view that they may not be in it for ever.

Lord Forsyth of Drumlean: Should the legislation therefore be restricted to that sector?

Steve Wright: My honest belief is that it is a simple sector, and there is crossover. The London model is different from the rest of the UK and is covered by a different set of regulations. London is unique, but it is 40% of the sector nationally.

Q39 **Baroness Kramer:** We may be running into an issue, because both Steves, if I understand it correctly, speak for London, which is a very different world, possibly akin only to some of the other major city centres.

When we talked with the licensing agencies, it sounded as though a big part of the cost was going to be trying to communicate with applicants so that they would understand what they would have to do, particularly in multiple languages, and then responding to questions, et cetera. Has HMRC or any local authority indicated that part of the burden of communication will fall on you, or are you expecting that to be picked up

by the local authorities rather than anybody else?

Steve McNamara: TfL, the licensing authority in London, issues emails on a weekly or fortnightly basis to the licence-holders it has. It regularly publishes stuff on websites. We have trade publications that publish it. We email our members on a regular basis. Again, I am struggling to understand how it can cost virtually anything. They are sending these emails out anyway. They are sending them out at the moment on the English-language test, which they are amending. They have actually delayed bringing it in, but it is a straightforward email. When you get the form through, there will be a box there that says "UTR number", and there will be a little explanatory note telling you what you need to do.

Baroness Kramer: Is London unique, from your perspective?

Steve McNamara: No, it is not. London is unique in some ways, but in this day and age all licensing authorities around the country, to a lesser or greater extent but certainly to some extent, communicate regularly with their licence-holders, because they just have to. At the moment, there is all the Covid stuff. As things change, they constantly communicate. When they change their licensing specifications on vehicles and stuff, they constantly communicate.

I just fail to see where this cost will come from. It is another line on an email or, when you get your licence application through the post or digitally, it simply says, "Please note: from now on, you have to put this code in this box". If you do not know your code, you get it from your accountant or you contact the Revenue through the portal and get it that way.

Steve Wright: I would agree. We have members in Glasgow, we have an application from Inverness and we have members in Portsmouth, so we are a national trade body. Yes, we started off as a London private hire car association, but we are now the Licensed Private Hire Car Association, with a national base. We had 600 operators at our national forum in Manchester. We are fairly familiar and we are fairly confident. We are experts. I was on the TfL board for eight years, so I have a very strong licensing background in London, but we have dialogue with licence authorities. We have actually sent freedom of information requests to every licensing authority in the UK, so we are pretty familiar with them. I was the Institute of Licensing's webinar this week.

Antonia Grey: My members' experience of contact with local authorities is a little different and probably a little lacking. I would imagine that some of that cost will be eaten up by physically mailing licensees about the changes.

Baroness Kramer: I do not know whether Ms Grey wanted to expand on this at all, because her situation seems to be so very different. Will part of the burden of communicating to your licensees fall on you, as far as you understand it? Are you expecting that to be handled by the local authority?

Antonia Grey: I am hoping that the local authorities and HMRC will do the lion's share, but I have already started communicating to our members about this to prepare them for what is coming up. That is what we do as a trade association, but I would expect it to be formally done through HMRC or the local authority.

Q40 **Lord Monks:** The new system comes in in a couple of years' time, in 2022. Do the panellists think this is realistic? Will it be affected by the Covid problems that are enmeshing the country at the present time?

Steve Wright: We have some concerns with lots of aspects of things that are going on—the statutory requirements and what-have-you. Without a crystal ball, there could be some problems with regard to Covid. Our position is the same as Steve McNamara's. This is well down the line with regard to the HMRC portal. It should be a very simple process, given the number of statutory requirements being asked of the industry right now. It could be tacked on and nobody would notice it compared to some of the requirements that we will have to go through in the future.

Steve McNamara: I honestly cannot see it being a problem. I cannot see it being a regulatory problem at all. I fail to see how Covid can affect it either. It is a gap on a form.

Antonia Grey: My biggest concern is that the system has to be resilient. We work on a three-year rotation, and 2022 is one of the big years. If anything goes wrong, there will be a lot of problems.

Q41 **Lord Rowe-Beddoe:** You are very optimistic about this pending change, which I am delighted to hear, but are you actually concerned that more people, rather than fewer, might be tempted not to renew their licence and to move to the hidden economy, despite the fact that Mr McNamara in particular claims it is only a question of one little square in the form to put in. Will more people be put off by having to do this?

Steve McNamara: I really do not see it as a problem at all. In our industry, as Steve Wright said earlier, it is three to four years to study the knowledge. You are putting that amount of effort into becoming a licence-holder in London. You will be paying taxes, which is very well known to you from day one. It certainly would not put anybody off.

Steve Wright: Our industry has operators, drivers and vehicles already regulated. It is very heavily regulated and very well covered. We have good dialogue with DfT. I do not see one line on a form being a massive problem.

Antonia Grey: I have the opposite opinion. I fear that the line on the form will make people visible to HMRC and people will think twice, and we will see people deciding not to renew. It is a very different sector from the other two.

Q42 **Baroness Bowles of Berkhamsted:** HMRC says that these proposals may create opportunities to drive up standards in these sectors more

generally. What do you think it means by that? Is it just that if you are paying your tax you are more fit and proper? Maybe this goes to what Antonia Grey was saying about whether people will disappear.

Antonia Grey: I do not understand what it is saying. Tax compliance has nothing to do with standards. We are a highly regulated sector, both environmentally and legislatively. We already have very high standards in the way we treat and process metal. It is a different world. It is something different to link that to being tax compliant.

Baroness Bowles of Berkhamsted: Does anybody else have any thoughts as to what that might mean? Is it more about the data sharing? As Steve McNamara has said, it is on the form and it whizzes through to the tax authorities. Does it mean perhaps more data sharing and cross-checking of who is doing what? Is that what they are getting at?

Steve McNamara: I suspect that what they are getting at is that anybody within the industry who is less liable to want to pay tax might leave, as Steve suggested. You infer that people who avoid or dodge their tax will also be dodging other commitments, and the industry would probably be better off without them.

We have long argued that tax liability, tax payments and registration should be a condition of being fit and proper, and that certainly applies to operators. If you are fit and proper, you do not dodge your tax; you do not place yourself abroad to avoid tax liabilities in this country. That is a different question.

Baroness Bowles of Berkhamsted: I agree with your point, though.

Q43 **Lord Butler of Brockwell:** HMRC has made it clear, as I understand it, that your two industries are guinea pigs. It is seeing how it works with you and will then apply it to others. Do you have any thoughts about that? Is there a wide range of industries for which this may be a useful device?

Steve McNamara: I would not like to comment beyond my level of expertise, which really relates just to the taxi industry in London. As far as being guinea pigs is concerned, we have been guinea pigs for lots of things through the years, and we still are with regard to vehicles and stuff. I cannot repeat it enough: this, to us, is not an issue; it is not a big deal. We are happy to go along with it. My members are keen to carry on as they are. It is not a big thing to us.

Steve Wright: I cannot really speak for other industries, but I can say that people amongst our membership who are running their businesses extremely ethically would welcome these measures, because they are undermined by those who are not members of ours, in many cases, who do not play the game. I am sure it will help to drive up standards across the industry. If you have people in the industry who are not paying their fair whack of tax or possibly turning a blind eye to a driver, it is a bad thing for those who are compliant.

Antonia Grey: As I said, we are very keen to know why scrap metal dealers were particularly singled out or put on to the guinea-pig list. We are talking about members who are operating legally and who are compliant. It is very frustrating for them, because they have hurdle after hurdle to get over to continue to trade, and they feel like this is another thing they are being asked to do when no one is doing anything to level up the playing field and go after the people who are not paying tax.

They are happy to do it, because it is an easy tick-box system, but they feel it is unjustified, because they are compliant. The money or the focus should go on tackling the illegal operators.

Lord Butler of Brockwell: That is the reason, is it not, why you are a guinea pig? You are so different from the driving industry, so HMRC is trying it on you as a very different industry to see what effect it has.

Antonia Grey: Perhaps it is, but we also come with complexities, because we have site licences and mobile-collector licences. We will have operators who will have something like 60 sites. The HMRC and all the tax coding will go from the headquarters, but the licence application will go from those individual sites. I have yet to see how that will work. There is an issue there.

Lord Butler of Brockwell: That is one of the lessons that HMRC will learn from applying this to your industry, is it not?

Antonia Grey: Yes, absolutely. Let us hope they have the manoeuvrability to overcome the issues.

Lord Butler of Brockwell: Are there any other lessons?

Antonia Grey: As the two gentlemen said before, I prefer to stay within my own industry.

Q44 **Lord Forsyth of Drumlean:** I want to hark back to the last question and something Steve Wright said about people who were not his members and driving up standards. Mr Wright, if it such a good idea that people should have a tax code, why does your association not set out to drive up standards and insist that all your members should have a tax code in return for membership? You could show yourselves as providing a lead in driving up standards in the industry. There is presumably nothing to stop you doing that.

Steve Wright: We have been doing it for many years. I originally came to Steven Norris many years ago in 1993, when he was Minister for Transport in London, to get that to happen. He said, "We are a non-regulatory type of Government. Why do you not set up to drive up standards?" We set about doing that. We got the association to be part of Investors in People. We vet and visit every one of our members, and we will be introducing a portal—it has been delayed by Covid, sadly—where we take in details about licence and public liability insurance. We have set standards for many years.

Lord Forsyth of Drumlean: My question was about why you do not ask your members to provide a tax code.

Steve Wright: Because they would be doing it and nobody else would.

Lord Forsyth of Drumlean: You have just given evidence to us that most of your members are paying tax and are tax compliant.

Steve Wright: We could include that; it is a very good suggestion. We are concerned with the people who are not doing those things, who are not our members.

Lord Forsyth of Drumlean: If all your members are required to provide a tax code and it is as simple as that, the Revenue could look to the people who are not your members.

Steve Wright: We check all our members' audited accounts. We check with Companies House that they have filed. We check that they have registered their directors online. We do all those things already. I am not concerned about our members. I am concerned about those outside our membership. Bear in mind that our membership are operators, not drivers. The lion's share of the lost revenue that HMRC discussed with me was from drivers, who are defrauding the system, et cetera, as opposed to operators.

Q45 **Viscount Chandos:** Do the three of you have anything in respect of your particular industries or sectors that you would like to draw to our attention as a closing point? Given that we have hammered away at what is proposed in the draft Bill, is there anything you would like to say about any further requirements or steps? Clearly, there was some discussion early on about at what point, if this is introduced, HMRC might require further information through the licensing system, such as mileage.

Steve Wright: The Revenue already has mechanisms in place for checking mileage and assessing earnings according to mileage. It already does that, where the people are already in the system. The point is to get the people into the system so that can be done. I do not have too many concerns about these proposals. We have discussed it at a high level with our members, and they do not have concerns either. They are not usually turkeys who vote for Christmas. We are not too concerned. We want to keep this beautifully simple. It is a simple process, and we hope it will get through.

Steve McNamara: As far as we are concerned, I repeat the same thing. It is welcome. Anything that brings in other sectors of our industry—by that, I mean other sectors of the private hire industry—and gets them more regulated and more controlled is something we would support. We would welcome the Revenue looking at the current system, where companies pay drivers with IBAN. There is no job anywhere in the UK where, when you get the job, the first thing they ask you for is an IBAN to pay your earnings into a foreign bank account. I find it quite astounding that it is allowed to carry on. We would welcome anything along those lines as well.

Antonia Grey: Forgive me, because I am at risk of repeating myself, but the best way to uncover the hidden economy is to go after those who do not have a licence in the scrap metal dealers' industry. They will be earning a lot of money and defrauding HMRC of revenue. This is fine, but it is not going to identify those who are outside the system. It is just not going to happen.

Viscount Chandos: Those unlicensed operators may be doing damage to the reputation of your industry as a whole. How much are you doing to try to bring them under your umbrella, in which case there might be the double benefit of also bringing them into the tax umbrella?

Antonia Grey: If companies are looking to join a trade association, they have to go through all the checks you heard about earlier: Companies House, directors, making sure they are environmentally licensed and have a scrap metal dealer's licence. If they are not licensed, they are not going to get into our association; they are not going to come near us, so we cannot police them. All we can do is try to work with local authorities and police services to identify them and get them the funding to be able to enforce the Scrap Metal Dealers Act at its heart.

Lord Forsyth of Drumlean: Perhaps I am being stupid, but I have not got this thing about paying people by IBAN. Who is paying people by bank transfer if they are properly registered? Could Mr Wright please just explain the problem that he is identifying? Who is doing it and to whom?

Steve Wright: Without getting into any legal cases, we had it reported back to us, and I had a meeting with the Revenue to discuss this. It was a bit of a cloak-and-dagger meeting. We had proof two or three years ago that people were being paid by IBAN. I publicly stated that at a meeting which people from the Public Carriage Office and Transport for London were at. They were astonished, but they said, "There's nothing we can do about that. You can make arrangements". If you have a company that is based offshore and you set up an app in the UK—I am not looking at any particular company—and you make your payments via credit card transactions, you can simply pay the drivers offshore by an IBAN. That has been common practice in the sector.

Lord Forsyth of Drumlean: You are saying that people set up offshore bank accounts, and the money they earn is paid to them by whom?

Steve Wright: By the app operators.

Lord Forsyth of Drumlean: Which app operators?

Steve Wright: I am not going to name them and get myself into a lawsuit, but I can tell you that I have seen evidence—and I have discussed this with the Revenue and stated it publicly at meetings—that people have been paid by IBANs into accounts that are offshore, thus avoiding the Revenue's systems. That is a fact.

Viscount Chandos: Following up on that, does that not only eliminate one end of the payment chain? Surely that could be addressed by these

app operators having to submit a list of offshore payments that they make.

Steve Wright: I am not sure about that, if you are domiciled outside the UK for tax purposes. At local level, yes, you have some control with regard to revenue requirements, but I do not know where they stretch if you are based offshore in another country under another tax regime that is applying things like VAT at different rates.

Lord Butler of Brockwell: We are talking about the operators, not the drivers, who are registered as overseas companies. That is what you are talking about.

Steve Wright: Yes, exactly. You have the driver working under a licence regime in the UK, but the money they are being given and the VAT rates being charged to them are being managed by countries based offshore.

Chair: Thank you very much to our three witnesses for such a useful hour's discussion. It was very good indeed.