

# **INSTITUTE OF LICENSING - WRITTEN EVIDENCE (DFE0022)**

## **Draft Finance Bill 2020-2021 inquiry**

In relation to the proposal that conditionality be introduced for certain licences (hackney carriage and private hire drivers licences, private hire operators licences and scrap metal dealers licences) and the specific questions in the call for evidence, the opinion of the Institute is as follows.

### **New tax checks on licence renewal applications**

#### **6. Are the proposals for tax checks on licence renewal applications fair and proportionate? How effective is the legislation likely to be, and is any amendment needed?**

As the aim is to address concerns that certain licensees contribute to the black economy, these proposals appear to be fair, reasonable, necessary and proportionate. The vast majority of licensees will properly declare all their income for tax so this proposal is aimed at the small minority who do not do so. The effect of that is to increase the tax burden on all other citizens with the resulting unfairness that causes.

Providing the tax check mechanism is a straightforward process, the burden on applicants and licensing authorities in complying with these requirements should not be too onerous. Any additional costs of administration incurred by licensing authorities can be recovered via the licence fees.

As this will effectively be a condition precedent to having a licence issued or renewed, it should be effective. It has the benefits of simplicity and should be difficult to avoid.

As far as can be seen, no amendment to the proposed legislation would be required.

#### **7. What is your view of the principle of conditionality and its use in the tax system?**

There is no objection to the principle of conditionality and its use in the tax system.

#### **8. How do you view the Government's stated intention to extend conditionality to Scotland and Northern Ireland, as well as to other trades?**

It seems perfectly reasonable to extend this approach to Scotland and Northern Ireland as well as other trades (see below).

**9. Could the problems this measure is designed to address have been tackled effectively by other means? If so, what are they?**

By its very nature, the black economy is difficult to detect, and as a consequence this is likely to be an effective mechanism in ensuring that licensees are at least registered for tax. Of course it must be borne in mind that where an industry is largely cash based (in relation to hackney carriages and private hire vehicles) there will still be opportunities for evasion. Although the Scrap Metal Dealers Act 2013 attempted to prohibit the use of cash for payment for scrap metal, it is not clear how successful that has been. Whilst all sectors of the economy have seen a reduction in the use of cash during the pandemic, with customers being encouraged to use contactless payment means, that may yet prove to be a short term practice.

**Additional comments**

It does seem peculiar that these proposals only relate to hackney carriage and private hire drivers, private hire operators and scrap metal dealers. Within the taxi industry there are also vehicle licensees (proprietors) for both hackney carriages and private hire vehicles. Whilst many of those vehicle proprietors are also licensed as drivers, that is by no means always the case. There are a great many individuals and companies who hold vehicle licences and then either employ drivers, or lease the vehicles to drivers. There seems to be no good reason why these proposals should not also apply to those licences.

As noted above, as no scrap metal should be traded for cash, all payments should be traceable via the banking system. Conditionality for scrap metal licences should therefore only add to an already reasonably robust system.

Conditionality should certainly be applied to other licensable activities, many of which can also be a large part of the cash economy. Obvious examples include street traders, acupuncturists, skin piercers and tattoo artists, but there seems to be no good reason why any individual or business required to hold a licence or registration should not also fall within conditionality requirements.

*7<sup>th</sup> October 2020*