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<b>Report To:</b>	<b>General Purposes Board</b>	<b>Date:</b>	<b>8 February 2023</b>
<b>Report By:</b>	<b>Head of Legal &amp; Democratic Services</b>	<b>Report No:</b>	<b>LS/007/23</b>
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<b>Subject:</b>	<b>Update regarding HMRC Tax Conditionality</b>		

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## **1.0 PURPOSE AND SUMMARY**

1.1  For Decision  For Information/Noting

1.2 The Purpose of this report is to provide members of the General Purposes Board with an update regarding changes to the HMRC timetable for implementation of HMRC tax conditionality obligations upon certain licensing bodies, such as the Council, in Scotland in relation to civic licence applications and renewal applications for taxi/private hire drivers, taxi/private hire operators, taxi/private booking offices, and licences to deal in scrap metal.

1.3 As a consequence of the change in timetable, the new provisions will now take effect from 1 October 2023, rather than 1 April 2023.

## **2.0 RECOMMENDATION**

2.1 That Members of the Board note that as a result of the change in timetable, the implementation of the tax conditionality obligations upon licensing bodies, such as the Council, will now take effect on 1 October 2023.

**Iain Strachan**  
**Head of Legal & Democratic Services**

### **3.0 BACKGROUND AND CONTEXT**

- 3.1 The General Purposes Board at its meeting on 9 November 2022 noted the terms of a report updating members regarding amendments which had been introduced by the Finance Bill 2022 to the Finance Act 2021. The effect of these amendments is intended to extend HMRC obligations upon licensing bodies, such as the Council, in Scotland in relation to certain types of civic licence applications. In Scotland, the changes apply to applications and renewal applications for taxi/private hire drivers, taxi/private hire operators, taxi/private booking offices, and licences to deal in scrap metal
- 3.2 Current legislation is contained in section 125 and Schedule 33 to the Finance Act 2021 which imposes tax conditionality obligations upon licencing bodies who administer applications for certain public sector licences to either:
- Give information about tax requirements to first time applicants;
  - Get confirmation from HMRC that a renewal applicant has completed a tax check.
- 3.3 As a result of proposed amendment to the Finance Act 2021, the provisions set out at paragraph 3.2 above which were limited to England and Wales, will now also extend to Scotland and Northern Ireland.
- 3.4 Members are aware that HMRC has stated that its approach to tax conditionality is as a result of an aim to address part of the hidden economy, consisting of individuals and businesses with sources of taxable income that are hidden from HMRC, by helping applicant for certain public sector licences better understand their tax obligations by making access to the licence they need to trade conditional upon completing a tax check.
- 3.5 Once the new provisions are in force, the licensing authority will require to confirm that a tax check has taken place and the licensing authority will not be able to grant or refuse a licence if they cannot confirm the applicant has completed a taxi check.

### **4.0 PROPOSALS**

- 4.1 The UK Government in its HMRC Autumn Statement 2022 has published an update regarding the implementation of tax conditionality. Changes have been made to the timetable for implementation of the measure. The HMRC Autumn Statement 2022 sets out that the requirement to make the renewal of certain licences in Scotland and Northern Ireland conditional on applicants completing checks to confirm they are appropriately registered for tax will now come into force for licence renewals from October 2023 rather than April 2023.
- 4.2 The HMRC Autumn Statement 2022 also sets out that the implementation of the tax conditionality measure will be legislated for in the Spring Finance Bill 2023 which will provide Licensing bodies and licence holders with additional time to prepare for this new measure.
- 4.3 The Council will now have an additional period of six months in order to ensure it will have the appropriate systems and processes in place to be prepared for the introduction of this measure. This change in timetable will also afford the Council additional time to communicate with licence holders to ensure they are aware of the tax conditionality obligations imposed upon them and the Council with effect from 1 October 2023.

## 5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO	N/A
Financial	X		
Legal/Risk		X	
Human Resources		X	
Strategic (LOIP/Corporate Plan)			X
Equalities & Fairer Scotland Duty			X
Children & Young People's Rights & Wellbeing			X
Environmental & Sustainability			X
Data Protection			X

## 5.2 Finance

There will be additional costs in relation to staff time in relation to the additional work involved in carrying out the necessary tax conditionality checks with HMRC. It is proposed that this is met under the existing budget.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

## 5.3 Legal/Risk

The legal risks are set out within the body of this report.

## 5.4 Human Resources

It is anticipated the Council's existing licensing staff will be in a position to undertake the additional work under the current budget. The delay of six months prior to implementation of the tax checks will assist in ensuring processes and administration is in place to discharge the Council's obligations.

## 6.0 CONSULTATION

6.1 None

## 7.0 BACKGROUND PAPERS

7.1 None