

Taunton Deane Borough Council

Licensing Committee – 22 February 2016

Proposal to introduce a requirement for hackney carriage and private hire vehicle drivers and operators to evidence proper business accounting

This matter is the responsibility of Executive Councillor Patrick Berry

Report Author : John Rendell, Licensing Manager

1 Executive Summary

- 1.1 Members are asked to consider a proposal to change Council policy and the process for determining the fitness and propriety of those applying to renew their hackney carriage/private hire vehicle drivers licence, in order to clamp down on drivers and operators who evade tax.

2 Recommendations

- 2.1 That Members approve the adoption of a new policy whereby the Authority will require those applying to renew their hackney carriage/private hire vehicle drivers licence to provide a Unique Taxpayer Reference (UTR) number issued by HM Revenues and Customs (HMRC); and that this data will be shared with the HMRC periodically (normally annually) and upon their request.
- 2.2 That Members approve the adoption of a new policy whereby the Authority will refuse to renew a hackney carriage/private hire vehicle drivers licence where the applicant/licence holder fails to provide a UTR number.
- 2.3 That Members approve the adoption of a new policy whereby the Authority may revoke a hackney carriage/private hire vehicle drivers licence where it learns that the holder does not have a valid UTR.

3 Risk Assessment (if appropriate)

Risk Matrix

Description	Likelihood	Impact	Overall
The Council licenses hackney carriage and private hire drivers who evade tax.	3	2	6
Failure to support external partners in preventing criminal activity from being carried out amongst the licensed hackney carriage and private hire driver community.	3	2	6

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
Impact							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background and Full details of the Report

4.1 All hackney carriage and private hire vehicle drivers are self employed and generally fall into one of three categories:

- 1) Those that own their own vehicle and operate completely independently;
- 2) Those that hire a vehicle from a larger operator;
- 3) Those that own a fleet of vehicles, one of which they may drive but then hire the remaining vehicles to others.

4.2 Everyone who is self employed in the UK is required, by law, to be registered with HM Revenues and Customs (HMRC) to whom they must submit an annual self assessment in order to calculate how much income tax they must pay.

Outcomes from the Taxi and Private Hire Trade Forum

4.3 The 'Taxi and Private Hire Trade Forum' is a meeting held between members of the hackney carriage and private hire trade, Councillor representatives from the licensing committee and Council officers to discuss hackney carriage and private hire licensing matters.

- 4.4 Until recently, the forum has met irregularly since 2012 but there have been a number of key recurring issues raised, which includes drivers and operators evading tax. There have been reports within the trade, predominantly anecdotal, that there are hackney carriage and private hire drivers and operators licensed by the Council who fail to pay income tax and VAT (where a business' VAT taxable turnover is over £83,000) to HMRC.
- 4.5 The issue was discussed at a meeting of the forum on the 16th September 2015. The view taken by the service at the time was that, although the 'fit and proper' test applied to drivers could be expanded to include having to evidence proper business accounting, a change could unnecessarily increase the applications fees levied to the trade (which are calculated to ensure full cost recovery for the council), since there are already existing channels that allow members of the public to report tax evasion directly to HMRC, which includes the ability to make a report on the www.gov.uk website. As discussions developed, it was suggested that the licensing service could dictate that those applying to renew their driver licences provide a unique tax reference (UTR) number, issued by HMRC, to show they are properly registered to pay tax. As some members of the trade were concerned that making changes could cause fees to rise, no recommendation was reached and the matter was deferred to the following meeting of the forum.
- 4.6 The forum met again on 21 October 2015 and further discussion around the proposal took place. Firstly, it was recognised that it would only be reasonable to expect existing drivers who are applying to renew their licences to provide a UTR number, since many individuals applying for the grant of a licence have yet to find work and would therefore not necessarily be registered and have a UTR number. Officers also explained that the only practical and cost effective way of handling the UTR data would be to record the UTR numbers on the service database and share information on all drivers with the HMRC on a periodic basis (there is currently an annual share of information relating to drivers and other licensed persons and premises as part of the National Fraud Initiative). Under the proposal, it was suggested that if the licensing service were to receive information from the HMRC that a driver is not registered or has falsified information, that drivers licence could be revoked. Officers advised that this proposed arrangement would take up very little extra time and would therefore have a negligible effect on application costs. The alternative would be to verify each UTR number with the HMRC on an individual basis, which would be much more time consuming and therefore cause fees to increase. An overwhelming majority of representatives from the trade who were at this meeting voted in favour of this proposal being recommended as a change in policy to the licensing committee.
- 4.7 Since that meeting, there has been a lack of progress due to a focus on making significant changes within the service, which includes fundamental changes to the way work is dealt with by the team. As described in the update report which is to be presented at this very same committee meeting, the performance of the service has now improved and staff vacancies within the team have been filled, meaning there is now capacity within the service to progress this matter and implement the change, should members resolve to adopt the proposals at section 2 of this report.

Contact with HMRC

- 4.8 In March 2016 and separately from the forum, the Licensing Manager met with the HMRC's Transformation and Implementation Lead Officer for the 'hidden economy'.
- 4.9 At the meeting, the officer explained that compliance (with tax paying requirements) within the taxi sector was a real concern to their organisation. The HMRC officer agreed

that implementing the policy changes described at section 2 of this report would help them to act against those who do not operate legally and therefore ensure a level playing field.

5 Links to Corporate Aims / Priorities

- 5.1 The Licensing service can help to support the Council's corporate role; 'Promoting Taunton Deane as a great place in which to live and work as well as visit' by working with HMRC to achieve a level playing field for businesses through the licensing of tax paying hackney carriage and private drivers only.

6 Finance / Resource Implications

- 6.1 Whilst the placing of additional duties on the licensing service in respect of taxi and private hire licensing does affect the relevant application fees, which are levied to ensure full cost recovery, the additional workload generated through adopting the recommendations at section 2 of this report would be minimal, as explained below.
- 6.2 Currently, each individual application to renew a hackney carriage/private hire vehicle driver licence is scanned as an electronic file, then input onto the service database against a new application record. Current fees are based on this taking an average of three minutes. The additional time taken to input a UTR number against the driver's database record would be between approximately 20 and 30 seconds. This would equate to an additional cost of approximately £0.17 which would need to be included within future fee calculation.
- 6.3 This change will have no significant impact on the bottom line of the licensing budget as the very small additional staff time will be compensated for in the increase in fees.

7 Legal Implications

- 7.1 The Local Government (Miscellaneous Provisions) Act 1976 dictates that, before the Council can grant or renew a licence to a hackney carriage/private hire vehicle driver or private hire operator, it must be satisfied that the applicant is a 'fit and proper person'. Fitness and propriety is not legally defined and thus, the Council has the freedom to consider a wealth of criteria before reaching a decision. In reaching a decision, the Council also has the power to request from the applicant any information as is considered necessary to determine whether a licence can be granted and whether conditions should be attached to a licence. For these reasons, it seems reasonable that the Council can require an applicant to demonstrate proper business accounting as an element of the 'fit and proper' decision making process.

8 Environmental Impact Implications

- 8.1 No environmental implications have been identified.

9 Safeguarding and/or Community Safety Implications

- 9.1 It is not unreasonable to expect that hackney carriage and private hire vehicle operators who deliberately evade tax, are also likely ignore other rules or legislative requirements which may in turn put members of the travelling public at risk. By working with HMRC to eliminate rogue traders, confidence in a safe public transport regime can be maintained aiding its continued use by vulnerable members of the community to support independent living.

10 Equality and Diversity Implications

10.1 There are a number of protected characteristics identified in the Equality Act 2010, which are; age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation and members need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process. The three aims the authority must have due regard for are:

- Eliminate discrimination, harassment, victimisation;
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

10.2 No equality and diversity implications have been identified within this report.

11 Social Value Implications

11.1 As the proposals do not involve the procurement of services, there are no social value implications.

12 Partnership Implications

12.1 The proposals within this report will support the efforts of HMRC in tackling the 'black economy'.

13 Health and Wellbeing Implications

13.1 Through effective regulation of hackney carriage and private hire vehicles and drivers, confidence in a safe public transport regime can be maintained aiding its continued use by residents to support independent living.

14 Asset Management Implications

14.1 No asset management implications have been identified within this report.

15 Consultation Implications

15.1 The content of this report has been driven by consultation with the hackney carriage and private hire trade through the meeting of the trade forum.

16 Scrutiny Comments

16.1 The purpose of the Licensing Committee is to act for the Council in respect of licensing and registration functions. The Committee's powers include the power to discharge the licensing functions on behalf of the licensing authority, outside of the usual democratic process.

Democratic Path:

- **Scrutiny / Corporate Governance or Audit Committees – No**

- Cabinet/Executive – No

- Full Council – No

Reporting Frequency : Once only Ad-hoc Quarterly

Twice-yearly Annually

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