



Fuel duty: aqua methanol set aside for use, or used, as fuel in any engine, motor or machinery

Who is likely to be affected?

Businesses producing and importing, and consumers of, hydrocarbon oils and alternative fuel products.

General description of the measure

This measure provides a separate rate of excise duty for aqua methanol that is set aside for use, or used, as fuel in any engine motor or other machinery.

Policy objective

Certain alternative fuels such as compressed natural gas, liquid natural gas and biomethane currently benefit from a lower rate of fuel duty than that applied to petrol and diesel, in recognition of their environmental benefits. From 1 April 2015, aqua methanol will be added to the list of cleaner fuels that will benefit from a reduced rate of fuel duty.

Background to the measure

At Autumn Statement 2013, the Government announced that the duty differential between the lower rate for alternative road fuel gases and the main rate for petrol/diesel will be maintained until 2024, with a review of the impact of these incentives at Budget 2018.

The Government announced at Budget 2014, that it will apply a reduced rate of fuel duty to aqua methanol. The rate is set at 7.90 pence per litre.

The duty incentive for aqua methanol will be reviewed at Autumn Statement 2016.

Detailed proposal

Operative date

The change will have effect on 1 April 2015.

Current law

Excise duty rates are in section 6 of the Hydrocarbon Oil Duties Act (HODA) 1979, which contains the rates for hydrocarbon oils; sections 6AA, 6AB, 6AD and 6AE contains the rates for biofuels; section 8 contains the rates for road fuel gases; section 11 contains rebated rates for heavy oils; section 14 contains the rebated rate for light oil used as furnace fuel; and section 14A contains the rebated rate for certain biodiesel.

Proposed revisions

Legislation will be introduced in Finance Bill 2015 to introduce a new rate of fuel duty for aqua methanol composed of 95 per cent pure methanol and 5 per cent water. Two statutory instruments will also be laid before Parliament to come into force at the same time:

- The Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc.)(Amendment) Regulations 2015, provide for the administration and collection of excise duty charged on aqua methanol.
- The Aqua Methanol (Use as Additive or Extender) (Rates of Excise Duty) Order 2015 Order. This sets the rates for aqua methanol when used as an additive or extender in other fuels.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-	-5	-10	- 20	-40
	These figures were set out in Table 2.1 of Autumn Statement 2013 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costing document published alongside Autumn Statement 2013.				
Economic impact	The measure is not expected to have any significant economic impacts.				
Impact on individuals, households and families	This measure is not expected to have an impact on family formation, stability or breakdown.				
Equalities impacts	This measure is not expected to have an impact on any equalities group.				
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses. At present, few businesses are invested in producing aqua methanol for road fuel use. As a result, both the expected one off costs from familiarising with the new rate, and the ongoing costs from ensuring the correct, lower, duty rate is paid are expected to be negligible. This measure is expected to have no impact on civil society organisations.				
Operational impact (£m) (HMRC or other)	The measure is expected to increase availability of aqua methanol, and so could have an impact on compliance risk.				
Other impacts	<p><u>Carbon assessment:</u> The overall support for cleaner fuels measure is expected to deliver carbon savings.</p> <p><u>Small and micro business assessment:</u> small businesses will benefit where aqua methanol fuel is part of their ongoing running costs.</p> <p>Other impacts have been considered and none have been identified.</p>				

Monitoring and evaluation

This measure will be kept under review through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Ademola Adetosoye on 03000 586040 (email: ademola.adetosoye@hmrc.gsi.gov.uk).

1 Aqua methanol etc

- (1) Schedule 1 contains provision relating to fuel duties.
- (2) Part 1 of the Schedule contains provision for charging excise duty on aqua methanol.
- (3) Part 2 of the Schedule contains miscellaneous amendments.

SCHEDULE 1

Section 1

AQUA METHANOL ETC

PART 1

AQUA METHANOL

Introductory

- 1 HODA 1979 is amended as follows.

Definition

- 2 After section 2AB insert –

“2AC Aqua methanol

- (1) In this Act “aqua methanol” means a liquid fuel which –
(a) consists of 95 per cent methanol and 5 per cent water, and
(b) has a density of 0.815 mg/l at a temperature of 15°C and under a pressure of 1013.25 millibars.
- (2) A substance shall be treated as meeting the condition in paragraph (a) of subsection (1) above if –
(a) the percentage of water it contains is not less than 4.7 and not more than 5.3 per cent, and
(b) the remainder of the substance consists of methanol.”
- 3 In section 2A (power to amend definitions), in subsection (1), after paragraph (b) insert –
“(ba) aqua methanol;”.

Charging of excise duty

- 4 After section 6AF insert –

“6AG Excise duty on aqua methanol

- (1) A duty of excise shall be charged on the setting aside for a chargeable use by any person, or (where it has not already been charged under this section) on the chargeable use by any person, of aqua methanol.
- (2) In subsection (1) “chargeable use” means use –
(a) as fuel for any engine, motor or other machinery, or
(b) as an additive or extender in any substance so used.
- (3) The rate of duty under this section is –
(a) in the case of a chargeable use within subsection (2)(a), £0.079 a litre;

- (b) in the case of a chargeable use within subsection (2)(b), the rate prescribed by order made by the Treasury.
- (4) In exercising their power under subsection (3)(b), the Treasury shall so far as practicable secure that aqua methanol set aside for use or used as an additive or extender in any substance is charged with duty at the same rate as the substance in which it is an additive or extender.
- (5) The power of the Treasury to make an order under this section shall be exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.
- (6) An order under this section –
 - (a) may make different provision for different cases, and
 - (b) may prescribe the rate of duty under subsection (3)(b) by reference to the rate of duty under this Act in respect of any other substance.

6AH Application to aqua methanol of provisions relating to hydrocarbon oil

- (1) The Commissioners may by regulations provide for –
 - (a) references in this Act, or specified references in this Act, to hydrocarbon oil to be construed as including references to aqua methanol;
 - (b) references in this Act, or specified references in this Act, to duty on hydrocarbon oil to be construed as including references to duty under section 6AG above;
 - (c) aqua methanol to be treated for the purposes of such of the following provisions of this Act as may be specified as if it fell within a specified description of hydrocarbon oil.
- (2) Where the effect of provision made under subsection (1) above is to extend any power to make regulations, provision made in exercise of the power as extended may be contained in the same statutory instrument as the provision extending the power.
- (3) In this section “specified” means specified by regulations under this section.
- (4) Regulations under this section may make different provision for different cases.
- (5) Paragraph (b) of subsection (1) above shall not be taken as prejudicing the generality of paragraph (a) of that subsection.”

- 5 In section 6A (fuel substitutes), in subsection (1)–
- (a) omit the “or” after paragraph (d), and
 - (b) after paragraph (e) insert “, or
 - (f) aqua methanol.”

Mixing of aqua methanol

- 6 (1) The italic cross-heading before section 20A becomes “*Mixing*”.
- (2) After section 20AAB insert –

“20AAC Prohibition on mixing of aqua methanol

- (1) Aqua methanol on which duty under section 6AG(3)(a) of this Act has been charged must not be mixed with any relevant substance.
- (2) In subsection (1) “relevant substance” means biodiesel, bioethanol, bioblend, bioethanol blend or hydrocarbon oil.
- (3) A person commits an offence under this subsection if—
 - (a) the person intentionally uses aqua methanol in contravention of subsection (1) above, or
 - (b) the person supplies aqua methanol, intending that it will be used in contravention of subsection (1) above.
- (4) A person guilty of an offence under subsection (3) above shall be liable—
 - (a) on summary conviction in England and Wales—
 - (i) to imprisonment for a term not exceeding 12 months (or 6 months, if the offence was committed before the commencement of section 154(1) of the Criminal Justice Act 2003), or
 - (ii) to a fine not exceeding £20,000 or (if greater) 3 times the value of the aqua methanol in question,or both;
 - (b) on summary conviction in Scotland—
 - (i) to imprisonment for a term not exceeding 12 months, or
 - (ii) to a fine not exceeding the statutory maximum or (if greater) 3 times the value of the aqua methanol in question,or both;
 - (c) on summary conviction in Northern Ireland—
 - (i) to imprisonment for a term not exceeding 6 months, or
 - (ii) to a fine not exceeding the statutory maximum or (if greater) 3 times the value of the aqua methanol in question,or both;
 - (d) on conviction on indictment, to imprisonment for a term not exceeding 7 years or a fine, or both.
- (5) Any aqua methanol, or any mixture containing aqua methanol, in respect of which an offence under subsection (3) above has been committed shall be liable to forfeiture.
- (6) Section 85(1) of the Legal Aid, Sentencing and Punishment of Offenders Act 2012 does not apply in relation to the offence under subsection (3) above, but where such an offence is committed before section 85(1) comes into force the reference in subsection (4)(a)(ii) above to £20,000 shall be read as a reference to the statutory maximum.

**20AAD Mixing of aqua methanol in contravention of prohibition:
adjustment of duty**

- (1) A duty of excise shall be charged on a mixture which is produced by mixing aqua methanol on which duty under section 6AG(3)(a) of this Act has been charged with a relevant substance.
- (2) In subsection (1) “relevant substance” means biodiesel, bioethanol, bioblend, bioethanol blend or hydrocarbon oil.
- (3) The rate of duty on a mixture under subsection (1) shall be the rate of duty specified in section 6(1A)(c) (general rate for heavy oil).
- (4) The person liable to pay duty charged under this section on production of a mixture is the person producing the mixture.
- (5) Where it appears to the Commissioners –
 - (a) that a person (“P”) has produced a mixture on which duty is charged under this section, and
 - (b) that P is the person liable to pay the duty,they may assess the amount of duty due from P to the best of their judgment and notify that amount to P or P’s representative.
- (6) An assessment under subsection (5) above shall be treated as if it were an assessment under section 12(1) of the Finance Act 1994.
- (7) Where duty under a provision of this Act has been paid on an ingredient of a mixture, the duty charged under this section shall be reduced by the amount of any duty which the Commissioners are satisfied has been paid on the ingredient (but not to a negative amount).
- (8) The Commissioners may exempt a person from liability to pay duty under this section in respect of production of a mixture of a kind described in subsection (1) if satisfied that –
 - (a) the liability was incurred accidentally, and
 - (b) in the circumstances the person should be exempted.

Powers to allow reliefs”.

- 7 In paragraph 3 of Schedule 41 to FA 2008 (penalties for putting product to use that attracts higher duty), in the Table in sub-paragraph (1), at the appropriate place insert –

“HODA 1979 section 20AAD(5)	Mixtures containing aqua methanol.”
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Enforcement

- 8 (1) Section 22 (prohibition on use of petrol substitutes on which duty has not been paid) is amended as follows.
- (2) After subsection (1AB) insert –
- “(1AC) Where any person –

- (a) puts any aqua methanol to a chargeable use (within the meaning of section 6AG above), and
- (b) knows or has reasonable cause to believe that there is duty charged under section 6AG above on that aqua methanol which has not been paid and is not lawfully deferred,
- his putting the aqua methanol to that use shall attract a penalty under section 9 of the Finance Act 1994 (civil penalties), and any goods in respect of which a person contravenes this section shall be liable to forfeiture.”
- (3) In subsection (1A), for “or (1AB)” substitute “, (1AB) or (1AC)”.
- (4) The heading of section 22 becomes “**Prohibition on use of fuel substitutes on which duty has not been paid**”.

Consequential amendments

- 9 In section 23C (warehousing), in subsection (4), after paragraph (d) insert –
“(da) aqua methanol.”
- 10 In section 27(1) (interpretation), before the definition of “aviation gasoline” insert –
““aqua methanol” has the meaning given by section 2AC above;”.
- 11 In section 16 of FA 1994 (appeals to a tribunal), in subsection (6)(c), before “section 23(1)” insert “or (1AC)”.

PART 2

HYDROCARBON OILS: MISCELLANEOUS AMENDMENTS

HODA 1979

- 12 In section 20AAA of HODA 1979 (mixing of rebated oil), in subsection (4)(a), for “section 6A(1A)(c)” substitute “section 6(1A)(c)”.

FA 1994

- 13 In section 16 of FA 1994 (appeals to a tribunal), in subsection (6)(c), after “section 22(1)” insert “(1AA), (1AB)”.

PART 3

COMMENCEMENT

- 14 The amendments made by this Schedule come into force –
- (a) so far as they confer a power to make regulations or an order, on the day on which this Act is passed, and
- (b) for all other purposes, on 1 April 2015.

EXPLANATORY NOTE

FUEL DUTY: AQUA METHANOL USED AS A ROAD FUEL

SUMMARY

1. Clause [X] introduces Schedule [Y] which contains provisions for charging excise duty on aqua methanol. This introduces a new rate of excise duty for aqua methanol from 1 April 2015. Part 2 of the schedule contains miscellaneous amendments.

DETAILS OF THE SCHEDULE

2. Paragraph 1 provides that the Hydrocarbon Oil Duties Act 1979 (HODA 1979) is amended in accordance with the Schedule.
3. Paragraph 2 inserts the new section 2AC to provide a definition for aqua methanol.
4. Paragraph 3 amends section 2A (the power to amend definitions) to provide that the definition of aqua methanol can be amended by Treasury Order.
5. Paragraph 4 inserts new sections 6AG and 6AH.
6. New section 6AG(1) provides that a duty of excise shall be charged when aqua methanol is allocated for chargeable use.
7. New section 6AG(2) provides for the meaning of chargeable use. Chargeable use means used as fuel for any engine, motor or other machinery or as an additive or extender in such fuel.
8. New section 6AG(3) provides for the rate of duty for aqua methanol.
9. New section 6AG(4) provides that the fuel duty rate when aqua methanol is allocated for use as an additive or extender should be the same rate as the substance in which it is an additive or extender.
10. New section 6AG(5) provides that the power for the Treasury to make an order under section 6AG prescribing the rate of duty when aqua methanol is used as an additive or extender is exercisable by statutory instrument.
11. New section 6AG(6) provides that an order can make different provision for different cases and prescribe the rates of duty by reference to rates of duty in HODA 1979.
12. New section 6AH provides a power for the Commissioners for Her Majesty's Revenue and Customs ("the Commissioners") to provide in regulations that specified

references in HODA 1979 to hydrocarbon oil and the duty on hydrocarbon oil apply to aqua methanol.

13. Paragraph 5 amends section 6A (fuel substitutes) so that aqua methanol does not fall within the scope of that section.
14. Paragraph 6 inserts new sections 20AAC and 20AAD.
15. New section 20AAC prohibits the mixing of aqua methanol on which duty has been charged at the rate specified in section 6AG(3)(a) with any relevant substance (as defined in subsection (2)) and provides for the penalties if a person intentionally uses aqua methanol in contravention of the prohibition or supplies aqua methanol intending that it will be so used.
16. New section 20AAD provides that excise duty shall be charged on a mixture produced by mixing aqua methanol on which duty has been charged at the rate specified in section 6AG(3)(a) with a relevant substance (as defined in subsection(2)). The section also specifies the rate of duty on such a mixture and that the person liable to pay the duty is the person producing the mixture. New Section 20AAD also provides that the Commissioners may exempt a person from liability under the section in specified circumstances and that the amount payable may be reduced by an amount that has been paid on an ingredient of the mixture.
17. Paragraph 7 amends paragraph 3 of Schedule 41 to Finance Act 2008.
18. Paragraph 8 amends section 22 (and its heading) prohibition on use of petrol substitutes on which duty has not been paid. The paragraph also provides that a penalty will apply if aqua methanol is put to chargeable use in situations where the Commissioners believe that duty has not been paid.
19. Paragraphs 9 – 11 provide for minor and consequential amendments.
20. Paragraphs 12 – 13 contain miscellaneous amendments.
21. Paragraph 14 contains commencement provisions.

BACKGROUND NOTE

22. At Autumn Statement 2013, the Government announced that the duty differential between the lower rate for alternative road fuel gases and the main rate for petrol and diesel will be maintained until 2024, with a review of the impact of these incentives at Budget 2018.
23. Certain alternative fuels such as compressed natural gas, liquid natural gas and biomethane currently benefit from a lower rate of fuel duty than that applied to petrol and diesel, in recognition of their environmental benefits.

FINANCE BILL 2015

24. The Government announced at Budget 2014 that it will apply a reduced rate of fuel duty to aqua methanol from 1 April 2015. The rate is set at 7.90 pence per litre. Therefore, aqua methanol will be added to the list of cleaner fuels that will benefit from the reduced rate.
25. The duty incentive for aqua methanol will be reviewed at Autumn Statement 2016.
26. If you have any questions about this change, or comments on the legislation, please contact Ademola Adetosoye on 03000 586040 (email: Ademola.adetosoye@hmrc.gsi.gov.uk).

STATUTORY INSTRUMENTS

2015 No.0000

EXCISE

The Aqua Methanol (Use as Additive or Extender) (Rates of Excise Duty) Order 2015

<i>Made</i> - - - -	<i>xx March 2015</i>
<i>Laid before the House of Commons</i>	<i>xx March 2015</i>
<i>Coming into force</i> - -	<i>1st April 2015</i>

The Treasury make the following Order in exercise of the powers conferred by section 6AG(3), (4) and (6) of the Hydrocarbon Oil Duties Act 1979(a):

Citation and commencement

1. This Order may be cited as the Aqua Methanol (Use as Additive or Extender) (Rates of Excise Duty) Order 2015 and comes into force on 1st April 2015.

Interpretation

2.—(1) In this Order—

“the Act” means the Hydrocarbon Oil Duties Act 1979;

“additive or extender” means additive or extender comprised in section 6AG of the Act;

“duty” means excise duty;

“engine” means an engine, motor or other machinery comprised in section 6AG of the Act;

“record” means the motor fuels record governed by regulation 13 of the Biofuels and Other Fuel Substitutes (Payment of Excise Duty etc.) Regulations 2004(b).

(2) Where in this Order a rate of duty or a rebate is described as a rate or rebate specified in a section of the Act, that rate or rebate is the rate or rebate specified or having statutory effect at the time when the aqua methanol became the subject of the charge to duty by virtue of section 6AG of the Act.

Rates of Duty

3. The rate of duty charged by virtue of section 6AG of the Act on the setting aside for use, or on the use, of aqua methanol as an additive or extender in fuel for any engine is the relevant rate prescribed by regulation 4.

(a) 1979 c. 5; section 6AG was inserted by section [] of the Finance Act 2015 (c.).

(b) S.I. 2004/2065; relevant amending instruments are 2007/1640, 2008/753, 2014/471, 2015/[] .

4.—(1) Where aqua methanol is entered in the record upon being set aside for use, or on the use, as an additive or extender in fuel for an engine powered by—

- (a) diesel, the rate is the rate specified in section 6 of the Act for heavy oil;
- (b) unleaded petrol, the rate is the rate specified in section 6 of the Act for unleaded petrol;
- (c) light oil other than unleaded petrol, the rate is the rate specified in section 6 of the Act for light oil other than unleaded petrol.

(2) Where aqua methanol is entered in the record upon being set aside for use, or on the use, as an additive or extender in fuel for an engine powered by—

- (a) heavy oil; and
- (b) in relation to that oil, a rebate of duty is allowable, or has been allowed, under sections 11, 13ZA(a) or 13AA(1)(b) of the Act,

the rate is the rate specified in section 6 of the Act for heavy oil minus the applicable rate of rebate that is allowable or has been allowed.

(3) Where aqua methanol is set aside for use, or used, as an additive or extender in fuel for an engine but is not entered in the record under paragraph (1) or (2), the rate is the rate specified in section 6 of the Act for light oil other than unleaded petrol.

date *name*
name
Two of the Lords Commissioners of Her Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Order)

This Order prescribes the rates of excise duty charged under section 6AG of the Hydrocarbon Oil Duties Act 1979 (c. 5) on aqua methanol that is set aside for use, or used, as an additive or extender in fuel for any engine, motor or other machinery.

This Order is related to the Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc.) Regulations 2004 (S.I. 2004/2065) (“the 2004 Regulations”) which provides a framework for the payment of excise duty dealt with by this Order and the Other Fuel Substitutes (Rates of Excise Duty etc.) Order 1995 (S.I. 1995/2716).

Article 4 provides for the rate of excise duty on aqua methanol that is set aside for use, or used, as an additive or extender in fuel for any engine, motor or other machinery to be determined by an entry in a record that it has been set aside for use, or used, as an additive or extender in fuel for a diesel engine, a leaded or unleaded petrol engine or an engine powered by heavy oil on which a rebate of duty is allowable or has been allowed. That record is known as the motor fuels record and is governed by the 2004 Regulations. Where an entry in the record is not made under any of those headings, the rate of duty is that applicable to light oil other than unleaded petrol.

(a) Section 13ZA was inserted by the Finance Act 2008 (c. 9), Schedule 6, paragraph 28.

(b) Section 13AA was inserted by section 5(4) of the Finance Act 1996 (c. 8) and amended by section 7(6) of the Finance Act 1997 (c. 16), section 10(6) of the Finance Act 2004 (c. 12), section 4(8) of the Finance Act 2005 (c. 7) and section 13(6) of, and paragraph 10 of Schedule 5 to, the Finance Act 2008 (c. 9).

A Tax Information and Impact Note (TIIN) covering this instrument was published on 10th December 2014 alongside draft clauses of the Finance Bill 2015 and this instrument and is available on the HMRC website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>. It remains an accurate summary of the impacts that apply to this instrument.

**EXPLANATORY MEMORANDUM
TO**

**THE AQUA METHANOL (USE AS ADDITIVE OR EXTENDER) (RATES OF EXCISE
DUTY) ORDER 2015**

[2015] No. [XXXX]

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

This Order prescribes the rates of excise duty charged on the setting aside for use, or on the use, of aqua methanol as an additive or extender in fuel for any engine, motor or other machinery.

3. Matters of special interest to the Select Committee on Statutory Instruments

[None]

4. Legislative Context

4.1 Section [x] of the [Finance Act 2015] (c.) inserted a new section 6AG into the Hydrocarbon Oil Duties Act 1979 (c. 5) ("HODA") to charge excise duty on aqua methanol when it is set aside for a chargeable use or on its chargeable use. "Chargeable use" means use (a) as fuel for any engine, motor or other machinery or (b) as an additive or extender in any substance so used.

4.2 The rate of duty when aqua methanol is set aside for use, or used, as fuel for any engine motor or other machinery is contained in s 6AG(3)(a) of HODA (see paragraph 7.5 below). When it is set aside for use, or used, as an additive or extender, section 6AG (3)(b) provides that the rate of duty is that prescribed by a Treasury Order. This instrument prescribes those rates.

4.3 This instrument is related to the Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc.) Regulations 2004 (S.I. 2004/2065) ("the 2004 Regulations") which provides a framework for the payment of excise duty dealt with by this Order and the Other Fuel Substitutes (Rates of Excise Duty etc.) Order 1995 (S.I. 1995/2716). The 2004 Regulations have been amended by [S.I. 2005/xxxx] so that they apply to aqua methanol.

5. Territorial Extent and Application

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- *What is being done and why*

7.1 Under HODA, certain alternative fuels benefit from a lower rate of fuel duty than that applied to petrol and diesel, in recognition of their environmental benefits.

7.2 The fuels included in this group are compressed natural gas (CNG), liquid natural gas (LNG), biomethane and liquefied petroleum gas (LPG).

7.3 In line with Government policy to provide incentives to cleaner fuels, the Government announced at Budget 2014, that it will apply a reduced rate of fuel duty to aqua methanol that is set aside for road use.

7.5 The rate of duty for aqua methanol set aside for use or used as fuel for any engine, motor or other machinery is set at 7.90 pence per litre. The rate of duty when it is used as an additive or extender is set by this Order by reference to the rate for the fuel to which it is an additive or extender.

- **Consolidation**

7.6 There are currently no plans to consolidate the Order.

8. Consultation outcome

An informal consultation was conducted with key stakeholders and feedback from this exercise has been fully considered in drafting the legislation.

9. Guidance

The Public Notice 179E (Biofuels and other fuel substitutes), available on www.gov.uk will be amended to cover this instrument.

10. Impact

10.1 The impact on business is negligible.

10.2 There is no impact on the public sector.

10.3 Tax Information and Impact Note (TIIN) covering this instrument was published on 10th December 2014 alongside draft clauses of the Finance Bill 2015 and this instrument and is available on the HMRC website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>. It remains an accurate summary of the impacts that apply to this instrument.

11. Regulating small business

The legislation applies to small business. To minimise the impact of the requirements on firms employing up to 20 people, the approach taken is to keep to a minimum any new regulatory requirements as part of this change.

12. Monitoring & review

Reviews of compliance with the practical application of the Order will form part of the compliance review programme of the Indirect Tax Directorate of HMRC.

13. Contact

Razia Sultana at HM Revenue and Customs
Tel: 03000 577 359 or email: razia.sultana@hmrc.gsi.gov.uk.

STATUTORY INSTRUMENTS

2015 No.0000

EXCISE

The Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc.) (Amendment) Regulations 2015

<i>Made</i>	- - - -	<i>xx March 2015</i>
<i>Laid before Parliament</i>		<i>xx March 2015</i>
<i>Coming into force</i>	- -	<i>1st April 2015</i>

The Commissioners for Her Majesty’s Revenue and Customs make the following Regulations in exercise of the powers conferred by sections 6AH, 20AA(1)(a) and (2)(a) to (d), (g), (h) and (i), 21(1)(a) and (2), 23C of, and paragraphs (3) and (11) of Schedule 3 and paragraphs 17 and 21 of Schedule 4 to, the Hydrocarbon Oil Duties Act 1979(a), sections 93(1)(a), (b), (c), (2)(a) and (3), 118A(1) and (2), 100G(1), 100H(1)(b) and (2) and 127A of the Customs and Excise Management Act 1979(b) and section 1 of the Finance (No. 2) Act 1992(c):

Citation and commencement

1. These Regulations may be cited as the Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc.) (Amendment) Regulations 2015 and come into force on 1st April 2015.

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- (a) 1979 c. 5; section 6AH was inserted by section [] of the Finance Act 2015 (c.); section 20AA was inserted by section 2(1) of the Finance Act 1989 (c. 26) and amended by the Finance Act 1993 (c. 34), Schedule 23, Part 1(4), the Finance Act 1994 (c. 9), Schedule 4, part 3, paragraphs 49 and 54, the Finance Act 2000 (c. 17), section 10(3), the Finance Act 2008 (c. 9), Schedule 5, paragraph 17 and Schedule 6, paragraphs 24 and 30; section 23C was inserted by section 13 of the Finance Act 2004 (c. 12) and amended by S.I. 2020/593; the power to make regulations under sections 6AH and 21 is conferred on “the Commissioners”. By virtue of section 27(3) “the Commissioners” has the same meaning as given in the Customs and Excise Management Act 1979 (c. 2). Section 1(1) of the Customs and Excise Management Act 1979 (as amended by the Commissioners for Revenue and Customs Act 2005 (c. 11), Schedule 4, paragraphs 20 and 22(b)) defines “the Commissioners” as “the Commissioners for Her Majesty’s Revenue and Customs”. Section 21 of the Hydrocarbon Oil Duties Act 1979 provides that the Commissioners may make regulations which relate to hydrocarbon oil. Section 6AH of that Act (which was inserted by the Finance Act 2015 ([c.]), section [6AH], provides that the Commissioners may by regulations provide for specified references in the Act to hydrocarbon oil to be construed as including references to aqua methanol. Regulation 3(2B) of the Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc) Regulations 2004 (S.I. 2004/2065) (as inserted by these Regulations) provides that references to hydrocarbon oil in section[s 20AA(1)(a), and] 21(2) of, and paragraphs 3 and 11 of Schedule 3 and paragraphs 17 and 21 of Schedule 4 to, the Hydrocarbon Oil Duties Act 1979 are to be construed as including reference to aqua methanol.
 - (b) 1979 c. 2; section 93(1) was substituted by the Finance (No. 2) Act 1992 (c. 48), Schedule 2, paragraph 2(1); section 93(2)(a) was amended by the Finance Act 1981 (c. 35), Schedule 8, Part 1, paragraph 2(a); section 93(3) was amended by the Finance (No. 2) Act 1992, Schedule 2, paragraph 2(4); section 118A was inserted by the Finance Act 1991 (c. 31), Schedule 5 and amended by the Finance (No. 3) Act 2010 (c. 33), Schedule 13, paragraph 1; section 127A was inserted by the Finance Act 1983 (c. 28), section 6 and amended by the Finance (No. 2) Act 1992, Schedule 1, paragraph 7.
 - (c) 1992 c. 48.

Amendments to the Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc.) Regulations 2004

- 2.** The Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc.) Regulations 2004(a) are amended as follows.
- 3.** In regulation 2 (interpretation)—
 - (a) after the definition of “approved person” insert—

““aqua methanol duty” means the duty charged on aqua methanol by section 6AG(b) of the Oil Act;”;
 - (b) in the definition of “biofuel” before “biodiesel” insert “aqua methanol;”;
 - (c) in the definition of “chargeable use” before sub-paragraph (a) insert—

“(za) in relation to aqua methanol, means chargeable use within the meaning of section 6AG(2) of the Oil Act;”.
- 4.** In regulation 3 (construction of references to hydrocarbon oil etc in the Oil Act)—
 - (a) after paragraph (2A) insert—

“(2B) The references to hydrocarbon oil in the following provisions of the Oil Act are to be construed as including references to aqua methanol—

 - (a) section 15(1) (drawback of duty on exportation etc);
 - (b) section 20AA(1)(a) (power to allow reliefs);
 - (c) section 21(2) (regulations with respect to hydrocarbon oil);
 - (d) paragraphs (3) and (11) of Schedule 3 (subjects for regulations);
 - (e) paragraphs (17) and (21) of Schedule 4 (subjects for regulations).”;
 - (b) in paragraph (3), before sub-paragraph (a) insert—

“(za) aqua methanol duty;”;
 - (c) in paragraph (4) before “biodiesel” insert “aqua methanol duty”.
- 5.** In regulation 19 (returns, time and method of payment), in paragraph (1A)(a) before “biodiesel” insert “aqua methanol”.
- 6.** In regulation 19A (large producers), in paragraph 4(a) before “biodiesel” insert “aqua methanol”.
- 7.** In the Schedule (particulars to be entered in the motor fuels record)—
 - (a) except in paragraph 1(bb), before “biodiesel” (wherever else it occurs) insert “aqua methanol;”;
 - (b) in paragraph 1(charge arising on setting aside), after sub-paragraph (bb) insert—

“(bc) in the case of a consignment of aqua methanol, a description indicating that the aqua methanol has been charged with aqua methanol duty upon being set side as —

 - (i) suitable only as fuel for an engine, motor or machinery powered by aqua methanol;
 - (ii) an additive or extender in fuel for an engine, motor or machinery powered by diesel;
 - (iii) an additive or extender in fuel for an engine, motor or machinery powered by unleaded petrol;
 - (iv) an additive or extender in fuel for an engine, motor or machinery powered by light oil other than unleaded petrol;

(a) S.I. 2004/2065; amended by S.I. 2007/1640, 2007/3307, 2008/753, 2014/471.

(b) Section 6AG was inserted by the [Finance Act 2015 (c.), section [.]

- (v) an additive or extender in fuel for an engine, motor or machinery not falling within sub-paragraphs (ii) to (iv);”;
- (c) in paragraph 2 (charge arising on chargeable use), after sub-paragraph (b) insert—
 - “(bb) in the case of a consignment of aqua methanol, a description indicating that the aqua methanol has been charged with aqua methanol duty upon chargeable use as —
 - (i) fuel for an engine, motor or machinery powered by aqua methanol;
 - (ii) an additive or extender in fuel for an engine, motor or machinery powered by diesel;
 - (iii) an additive or extender in fuel for an engine, motor or machinery powered by unleaded petrol;
 - (iv) an additive or extender in fuel for an engine, motor or machinery powered by light oil other than unleaded petrol;
 - (v) an additive or extender in fuel for an engine, motor or machinery not falling within sub-paragraphs (ii) to (iv);”.

Amendment to the Excise Duties (Deferred Payment) Regulations 1992

8. In regulation 2 (interpretation) of the Excise Goods (Deferred Payment) Regulations 1992(a), in the definition of “biofuels” after “(bioethanol)” insert “,6AG(2) (aqua methanol)”.

Amendments to the Excise Warehousing (Energy Products) Regulations 2004

9.—(1) The Excise Warehousing (Energy Products) Regulations 2004(b) are amended as follows.

(2) In regulation 2 (interpretation), in the definition of “special energy product”—

- (a) in sub-paragraph (e) omit “or”;
- (b) at the end of sub-paragraph (f) insert “or”; and
- (c) after sub-paragraph (f) insert—
 - “(g) aqua methanol.”.

(3) In regulation 5 (treatment of warehoused special energy products), after paragraph (3)(a) insert—

“(aa) aqua methanol shall be treated as charged by section 6AG of the Oil Act (aqua methanol;”.

name
name

date Two of the Commissioners for Her Majesty’s Revenue and Customs

EXPLANATORY NOTE

(This note is not part of the Regulations)

Section 6AG of the Hydrocarbon Oil Duties Act 1979 (c. 5) (“HODA”)(c) provides for a charge to excise duty on aqua methanol that is set aside for use, or used, as fuel for any engine, motor or

(a) S.I. 1992/3152, amended by S.I. 2004/2065; there are other amending instruments but none is relevant.
 (b) S.I. 2004/2064, amended by S.I. 2010/593.
 (c) Section 6AG was inserted by [].

other machinery or as an additive or extender in any substance so used (“chargeable use”). These Regulations amend the Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc.) Regulations 2004 (S.I. 2004/2065) (“the principal Regulations”) so that they apply to aqua methanol that is put to a chargeable use and make consequential amendments to the Excise Duties (Deferred Payment) Regulations 1992 (S.I. 1992/3152) (“the Deferment Regulations”) and the Excise Warehousing (Energy Products) Regulations 2004 (S.I. 2004/2064) (“the Energy Products Regulations”).

Regulation 3 amends regulation 2 of the principal Regulations so that it includes references to “aqua methanol” and “aqua methanol duty”.

Regulation 4 amends regulation 3 of the principal Regulations so that certain references to hydrocarbon oil, or to the duty on hydrocarbon oil, in HODA are to be construed as including references to aqua methanol and aqua methanol duty.

Regulations 5 and 6 amend regulations 19 and 19A of the principal Regulations so that they apply to aqua methanol.

Regulation 7 amends the particulars to be entered in the motor fuels record in the Schedule to the principal Regulations to include a description indicating that aqua methanol has been charged with aqua methanol duty upon chargeable use as fuel for an engine, motor or machinery powered by aqua methanol or as an additive or extender in fuels for engines, motors and machinery powered by other fuels.

Regulation 8 amends the Deferment Regulations so that those Regulations provide for the deferment of duty in respect of aqua methanol.

Regulation 9 amends the Energy Products Regulations so that aqua methanol falls within the definition of “special energy product” and, for the purposes of regulation 5 of those Regulations (treatment of warehoused special energy products), is treated as charged with duty under section 6AG of HODA.

A Tax Information and Impact Note (TIIN) covering this instrument was published on 10th December 2014 alongside draft clauses of the Finance Bill 2015 and this instrument and is available on the HMRC website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>. It remains an accurate summary of the impacts that apply to this instrument.

**EXPLANATORY MEMORANDUM TO
THE BIOFUELS AND OTHER FUEL SUBSTITUTES (PAYMENT OF EXCISE DUTIES
ETC.) (AMENDMENT) REGULATIONS 2015**

2015 No. [XXXX]

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 These Regulations amend the Biofuels and Other Fuels Substitutes (Payment of Excise Duties Etc.) Regulations 2004 (S.I. 2004/2065) ("the principal Regulations") so that they apply to aqua methanol and provide for the administration and collection of excise duty charged on it.

2.2 They also make amendments to the Excise Duties (Deferred Payment) Regulations 1992 (S.I. 1992/3152), so that those Regulations provide for the deferment of excise duty in respect of aqua methanol and the Excise Warehousing (Energy Products) Regulations 2004 (S.I. 2004/2064), so that aqua methanol falls within the definition of "special energy products" and, for the purposes of the treatment of warehoused special energy products, is treated as charged with duty under section 6AG of the Hydrocarbon Oil Duties Act 1979 ("HODA").

3. Matters of special interest to the Joint Committee on Statutory Instruments

[None]

4. Legislative Context

4.1 The Finance Act 2015 (c.) inserted a new section 6AG into HODA to provide for a separate charge to excise duty on aqua methanol set aside for a chargeable use or put to a chargeable use. "Chargeable use" means use (a) as fuel for any engine, motor or other machinery or (b) as an additive or extender in any substance so used.

4.2 The principal Regulations regulate the administration and collection of the excise duties charged on biodiesel, bioethanol and other fuel substitutes. These Regulations amend the principal Regulations, and the Regulations referred to in paragraph 2.2 above, so that they also apply to aqua methanol.

4.3. The Aqua Methanol (Use as Additive or Extender) (Rates of Excise Duty) Order 2015 (S.I. 2015/xxxx) is related to the principal Regulations. The rates of duty prescribed by that Order are determined by the entry made in the motor fuels record in the Schedule

to the principal Regulations, which is amended by this instrument to cover aqua methanol.

5. Territorial Extent and Application

This instrument applies to all of the United Kingdom

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- *What is being done and why*

7.1 Under HODA, certain alternative fuels benefit from a lower rate of fuel duty than that applied to petrol and diesel, in recognition of their environmental benefits.

7.2 The fuels included in this group are compressed natural gas (CNG), liquid natural gas (LNG), biomethane and liquefied petroleum gas (LPG).

7.3 In line with Government policy to provide incentives to cleaner fuels, the Government announced at Budget 2014, that it will apply a reduced rate of fuel duty to aqua methanol that is set aside for road use.

7.4 The rate of duty for aqua methanol set aside for use, or used, as fuel for any engine, motor or other machinery is set at 7.90 pence per litre. The rate of duty when aqua methanol is set aside for use, or used, as an additive or extender in any substance used as fuel for any engine, motor or other machinery is prescribed by the Aqua Methanol (Use as Additive or Extender) (Rates of Excise Duty) Order 2015 (S.I. 2015/xxxx).

7.5 The amendments made to the principal Regulations by these regulations ensure that, for the purposes of administering and collecting the duty charged on aqua methanol, the provisions in the principal Regulations apply and that the particulars of how aqua methanol is set aside for use, or used, as fuel in any engine motor or other machinery are contained in the motor fuels record that is required to be kept.

- **Consolidation**

7.6 There are currently no plans to consolidate the amendments made to the principal Regulations.

8. Consultation outcome

An informal consultation was conducted with key stakeholders and feedback from this exercise has been fully considered in drafting this legislation.

9. Guidance

The Public Notice 179E (Biofuels and other fuel substitutes), available on www.gov.uk will be revised to reflect the change.

10. Impact

10.1 The impact on business is negligible.

10.2 There is no impact on the public sector.

10.3 A Tax Information and Impact Note (TIIN) covering this instrument was published on 10th December 2014 alongside draft clauses of the Finance Bill 2015 and this instrument and is available on the Government website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins> It remains an accurate summary of the impacts that apply to this instrument.

11. Regulating small business

The legislation applies to small business. To minimise the impact of the requirements on firms employing up to 20 people, the approach taken is to keep minimum any new regulatory requirements as part of this change.

12. Monitoring & review

Reviews of compliance with the practical application of the new regulations will form part of the compliance review programme of the Indirect Tax Directorate of HMRC.

13. Contact

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