

Fuel Duty Rates

Who is likely to be affected?

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

General description of the measure

The Government has announced that the 3.02 pence per litre (ppl) fuel duty increase that was due to take effect on 1 August 2012 will be deferred to 1 January 2013.

A new clause to Finance Bill 2012 will be introduced to legislate this measure.

Policy objective

To support motorists with the cost of fuel.

Background to the measure

Autumn Statement 2011 announced that the 3.02ppl fuel duty increase that was due to take effect on 1 January 2012 would be deferred to 1 August 2012, and the inflation increase that was originally planned for 1 August 2012 would be cancelled.

The Chancellor announced on June 26 that the 3.02ppl increase would be deferred to 1 January 2013.

Detailed proposal

Operative date

The change will have effect from 1 August 2012 until 1 January 2013.

Current law

Excise duty rates are contained in the Hydrocarbon Oil Duties Act 1979 (HODA): section 6 contains the rates for hydrocarbon oils; 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

A new clause to Finance Bill will be introduced to defer the increases planned for 1 August 2012 to 1 January 2013. The effect will be to maintain the duty liability on all fuels at current levels until 1 January 2013.

Duty rate per litre (£)		
	Current	On and after 1 January 2013
Unleaded petrol	0.5795	0.6097

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Heavy Oil	0.5795	0.6097
Biodiesel	0.5795	0.6097
Bioethanol	0.5795	0.6097
Light oil (other than unleaded petrol or aviation gasoline)	0.6767	0.7069
Aviation gasoline (Avgas)	0.3770	0.3966
Light oil delivered to an approved person for use as furnace fuel	0.1070	0.1126
Marked gas oil	0.1114	0.1172
Fuel oil	0.1070	0.1126
Heavy oil other than fuel oil, gas oil or kerosene used as fuel	0.1070	0.1126
Kerosene to be used as motor fuel off-road or in an excepted vehicle	0.1114	0.1172
Biodiesel for non-road use	0.1114	0.1172
Biodiesel blended with gas oil for non-road use	0.1114	0.1172
Road fuel natural gas (NG), including biogas	0.2470 £/kg	0.2907 £/kg
Road fuel gas other than NG - eg. liquified petroleum gas (LPG)	0.3161 £/kg	0.3734 £/kg

Summary of impacts

Exchequer impact (£m)	2012-13	2013-14	2014-15	2015-16	2016-17
	This measure is expected to decrease receipts by approximately £550 million in 12-13. The final costing is not shown here because it is subject to scrutiny by the Office for Budget Responsibility. It will be set out at the Autumn Statement.				
Economic impact	This policy will lower the price of fuel compared with previously announced policy. As a result of this lower price, fuel consumption and the number of miles driven will increase relative to previous expectations. These effects are included in estimating the Exchequer impact.				
	Fuel is a major business input for the UK economy. Delaying the duty increase will maintain business costs at a lower level.				

Impact on individuals and households	<p>Delaying the August 2012 increase to January 2013 will benefit all motorists, and help maintain household fuel costs at a lower level.</p> <p>Compared to the policy announced at Autumn Statement 2011, it is estimated that deferring the August increase to January 2013 will mean that a typical Ford Focus driver will be £16 better off in 2012-13.</p>
Equalities impacts	Motorists who drive the same car and drive the same number of miles should broadly be affected by the same amount.
Impact on business including civil society organisations	<p>This change will benefit businesses where fuel is part of ongoing running costs.</p> <p>Compared to the policy announced at Autumn Statement 2011, it is estimated that an average haulier's fuel costs will be £500 lower in 2012-13.</p> <p>The impact on business is negligible in terms of administrative and compliance costs.</p>
Operational impact (£m) (HMRC or other)	Changing fuel duty rates will have minimal operational impacts for HMRC.
Other impacts	Delaying the August 2012 increase to January 2013 could mean that carbon dioxide emissions in 2012-13 are around 0.1 million tonnes higher than was expected under the previous policy.

Monitoring and evaluation

The policy will be monitored through information collected from tax receipts.

Further advice

If you have any questions about this change, please contact the Excise and Customs helpline on 0845 010 900.

Declaration

Chloe Smith MP, the Economic Secretary, to the Treasury has read this Tax Information and Impact Note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.