

VAT: Road Fuel Scale Charges (RFSC)

Draft statutory instrument (SI) for technical consultation

Who is likely to be affected?

VAT-registered businesses who use Road Fuel Scale Charges (RFSCs) to account for VAT on private use of road fuel purchased by the business. However, this SI is simply a process change and has no practical implications for businesses.

General description of the legislation

The process for the annual updating of the VAT RFSCs is being simplified. This draft SI is the final legislative step in implementing the changes which will require HMRC to calculate and publish the revised charges from 2014.

Policy objective

Future amendments of the RFSCs will be taken out of the Budget process and HMRC will be able to publish them alongside the relevant guidance in a single place achieving reductions in burdens on small businesses and reduced costs for HMRC and HMT.

Background to the SI

Proposals to streamline the VAT law and practice on RFSCs were announced at Budget 2012. Following a consultation during summer 2012 amendments to the RFSC scheme were made by Finance Act 2013. The amended legislation requires HMT (by way of an affirmative statutory instrument) to make provision for the valuation, on a flat-rate basis, of RFSCs and to provide for HMRC to undertake the annual revalorisation of RFSCs, thereby taking it out of the budget process.

Detailed proposal

Operative date

The revalorisation of RFSCs, previously an annual budget measure, will automatically be calculated by HMRC (to a formula set out in the Order) independent of the Budget process following Royal Assent. Future revisions will take place at least annually.

Current law

The current law, as amended by Finance Act 2013, is contained in Schedule 6 of the VAT Act 1994. This law requires the SI to complete the new system of annual revalorisation of VAT RFSCs.

Prior to starting the process of amending the UK law on the application of RFSCs, it was contained in Sections 56 and 57 of the VAT Act 1994. The table of charges was set out in Section 57 and was updated annually by an SI. Sections 56 and 57 will be repealed as from 1 February 2014 by the Finance Act 2013.

Proposed revisions

This SI will complete the process of amending the UK law on RFSCs by requiring that HMRC will make future annual revalorisations to RFSCs to a set formula.

Summary of impacts

[Detailed guidance on completing each box in the table is available on HMRC Budget and Finance Bill Guidance.]

Exchequer impact (£m)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Nil	Nil	Nil	Nil	Nil	Nil
This measure is not expected to have an Exchequer impact.						
Economic impact	This measure is not expected to have any economic impacts.					
Impact on individuals and households	There is no impact on individuals because the measure only applies to VAT registered businesses.					
Equalities impacts	This measure has no equality impacts on the protected characteristics in the Equality Act 2010.					
Impact on business including civil society organisations	This measure has no practical implications for businesses because it is just a process change.					
Operational impact (£m) (HMRC or other)	The additional savings for HMRC in implementing this change are anticipated to be negligible.					
Other impacts	Nil					

Monitoring and evaluation

This policy may be kept under review through communication with taxpayer groups affected by the measure.

Further advice

If you have any questions about this change, please contact Karen Ogilvie on 03000 585 719 email: karen.ogilvie@hmrc.gsi.gov.uk.

Declaration

David Gauke MP, Exchequer Secretary, 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.