

# Fuel duty: Fuel additives and extenders and the warehousing of bioethanol used in the production of biodiesel

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## Who is likely to be affected?

Businesses producing and importing hydrocarbon oils and alternative fuel products.

## General description of the legislation

Fuel additives and extenders are chemical products that are added to petrol, diesel, liquefied petroleum (LPG) gas and rebated fuel. These instruments provide for additives or extenders that are used, or set aside for use, in hydrocarbon oil on which a rebate of duty has been allowed to be charged at the same rebated rate as the oil to which they are added. The amendment to the Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc) Regulations 2004 also legislate for an extra statutory concession (ESC) relating to the warehousing of bioethanol for the production of biodiesel.

## Policy objective

The objective is to ensure that the correct rate of duty is applied to additives and extenders used in the refinery sector. We have also legislated for an extra statutory concession relating to the warehousing of bioethanol for the production of biodiesel.

## Background to the Statutory Instrument

Currently, under the Other Fuel Substitutes (Rates of Excise Duty etc) Order 1995 (S.I. 1995/2716) the rates of duty for additives and extenders are determined by reference to the full rates of excise duty on hydrocarbon oil specified in section 6 of the Hydrocarbon Oil Duties Act 1979. No provision is made for a rebated rate for additives or extenders that are used, or set aside for use, in hydrocarbon oil on which a rebate of duty has been allowed.

Council Directive 2003/96/EC on restructuring the Community framework for the taxation of energy products and electricity ("the EPD") provides that fuel additives and extenders shall be taxed at the rate of the equivalent motor fuel. In order however to comply with the European legislation additives and extenders that are used, or set aside for use, in fuel on which a rebate of duty has been allowed should be taxed at the same rebated rate.

The amendments made to the Other Fuel Substitutes (Rates of Excise Duty Etc) Order 1995 and the Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc) Regulations 2004 provide for this. In addition, the amendments provide that the rate of duty for additives and extenders that are used, or set aside for use, in LPG is the same rate as for LPG.

The amendments to the Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc) Regulations 2004 also legislate for an extra statutory concession (ESC) relating to the warehousing of bioethanol for the production of biodiesel. Prior to the extra statutory concession, bioethanol could be moved into an excise warehouse only in cases where it is going to be blended with petrol. The ESC allowed bioethanol to be moved into an excise warehouse also in cases where it is going to be blended with diesel.

# Detailed proposal

## Operative date

The changes will have effect on and after 01/04/2014.

## Current law

The current law is contained in:

Section 6A of the Hydrocarbon Oil Duties Act 1979

The Other Fuel Substitutes (Rates of Excise Duty) Order 1995

The Biofuels and Other Fuel Substitutes (Payment of Excise Duties Etc.) Regulations 2004

## Proposed revisions

The proposed revisions are in:

The Other Fuel Substitutes (Rates of Excise Duty etc) (Amendment) Order 2014

The Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc) (Amendment) Regulations 2014

## Table of impacts

Exchequer impact (£m)	2013-14	2014-15	2015-16	2016-17	2017-18
	Neg	Neg	Neg	Neg	Neg

Economic impact	This change is expected to have a negligible impact on the Exchequer.				
Impact on individuals and households	The measure is not expected to have any significant economic impacts.				
Equalities impact	No impact.				
Impact on business including civil society organisations	The change on fuel additives and extenders reflects practice within the refinery sector. On bioethanol used in the production of biodiesel, this legislates an extra statutory concession, and therefore in practice, this should have no impact on businesses.				
Operational impact (£m) – [HMRC or other]	No implementation costs for HMRC.				
Other impacts	None expected.				

## **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 Ade Adetosoye on 03000 586 040 email: Ademola.Adetosoye@hmrc.gsi.gov.uk.

## **Declaration**

Nicky Morgan MP, 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.