



Rural Fuel Duty Relief

Who is likely to be affected?

Retailers and consumers of unleaded petrol and diesel for use as road fuel within the:

- Inner and Outer Hebrides, the Northern Isles, the Islands in the Clyde, the Isles of Scilly, Hawes (North Yorkshire);
- following post code districts in England : EX35, LA17, NE48;
- following post code districts in Scotland: IV14, IV21, IV22, IV26, IV27, IV54, KW12, PA38, PA80, PH19, PH23, PH36, PH41.

General description of the measure

Secondary legislation will be introduced to extend the 5 pence per litre (ppl) fuel duty relief scheme for retailers of fuel in specific geographical areas. The current legislation will also be amended to allow HMRC to consider claims that are received late.

Policy objective

The scheme is designed to support motorists in areas where pump prices are significantly higher than the UK average, due to the costs of fuel transportation (from refinery to filling station), and low population density. The rebate would provide a 5 ppl reduction on the standard UK rate of excise duty. The changes relating to late claims provides legal certainty.

Background to the measure

At Autumn Statement 2012, the government announced its intention to consider whether to apply to the EU for an extension of the current rebate scheme to other areas of the UK with similar cost characteristics to the islands.

To support this work and to ensure that the government had the best possible pump price data on the UK's retail fuels market in remote rural areas, the government carried out two public calls for information in 2013.

On the basis of the information collected, as well as data previously held by HMRC, the government submitted a formal request to the European Commission for a derogation from the EU Energy Products Directive to allow it to implement the 5ppl reduction in fuel duty.

Detailed proposal

Operative date

The Regulations relating to the extension of the scheme will come into force on []. Other aspects of these Regulations take effect from 1 May 2015.

Current law

Excise duty rates are contained in the Hydrocarbon Oil Duties Act (HODA) 1979. Section 20AA of HODA gives the Commissioners for HM Revenue and Customs the power to make regulations allowing reliefs of excise duty charged on hydrocarbon oils

Proposed revisions

The Hydrocarbon Oil and Biofuels (Road Fuel in Defined Areas) (Reliefs) Regulations 2011 SI/2011/2935 (the principal Regulations) will be amended to extend the 5ppl fuel duty relief scheme to designated post code districts.

Retailers of road fuel within these geographical areas will be eligible to register with HMRC and to claim back 5ppl duty relief on purchases of unleaded petrol and diesel for retail sale within the eligible areas. They will be entitled to claim the relief from HMRC on a monthly basis. Sixty days after first registering they will be required to reduce the price of a litre of fuel by an amount equivalent to the relief claimed.

The principal Regulations will also be amended to allow HMRC to consider claims that are made late for reasonable cause.

Summary of impacts

Exchequer impact (£m)	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020
	negligible	negligible	negligible	negligible	negligible
This measure is expected to have a negligible impact upon the Exchequer					
Economic impact	This policy will reduce the price of fuel in the areas concerned. We would not expect this measure to have a significant macroeconomic impact for the UK as a whole.				
Impact on individuals, households and families	A reduction in the cost of road fuel will benefit all individual and household motorists in the areas concerned. There is no compliance cost impact on individuals because the relief is by way of a reduced retail price.				
Equalities impacts	This policy is designed to benefit those living in specific geographical areas so will have a positive impact for those communities. No different impact on any other equality group has been identified.				
Impact on business including civil society organisations	<p>This measure is expected to have a negligible impact on businesses and civil society organisations.</p> <p>The overall number of fuel stations eligible for the relief is expected to be fewer than 20. All businesses purchasing road fuel within the eligible area will benefit from the reduction in the cost of fuel. It is expected that fuel retailers will take up to 5 hours to familiarise themselves with the scheme and complete the registration process with HMRC, at a cost of less than £100 per business. Each monthly claim is expected to take businesses less than 2 hours to complete, including the time taken to retrieve required information, complete forms, check entries and submit claims to HMRC. It is expected that this time will cost participating businesses less than £300 per year.</p>				
Operational impact (£m) (HMRC or	At present, there are fewer than 20 fuel stations in the all the areas where the fuel discount scheme has been extended to. This should therefore				

other)	have no major impact on existing resources in HMRC.
Other impacts	All fuel retailers within the eligible areas, irrespective of size, may register for the relief.

Monitoring and evaluation

The policy will be kept under review through regular communication with taxpayer groups affected by the measure.

Further advice

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