



HM Revenue  
& Customs

## **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 following areas:

- Inner and Outer Hebrides, the Northern Isles, the Islands in the Clyde, the Isles of Scilly, the post town of Hawes (North Yorkshire);
- The following post code districts: EX35, LA17, NE48, 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 that are designated by specific postal areas.

The current legislation will also be amended to allow HMRC to consider claims that are received late.

### **Policy objective**

The price of fuel in these designated areas is significantly higher than the UK average, due to the high cost of fuel transportation 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 data on the UK's retail fuels market in remote rural areas, the Government launched two public calls for information in 2013.

On the basis of the information collected, and pump price data already 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 will take effect from 1 April 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

<b>Exchequer impact (£m)</b>	2015-16	2016-17	2017-18	2018-19	2019-20
	Neg	Neg	Neg	Neg	Neg
<b>Economic impact</b>	This policy will reduce the price of fuel in the areas concerned. We would expect this measure to increase fuel consumption in the affected areas by around 0.5%. We would not expect this measure to have a significant macroeconomic impact for the UK as a whole. However, fuel is an important business input so we would expect the lower cost to stimulate				

	the local economy in the regions affected.
<b>Impact on individuals, households and families</b>	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.
<b>Equalities impacts</b>	This policy is designed to benefit those living in specific geographical areas so will necessarily have a positive impact for those communities. No different impact on any other equality group has been identified.
<b>Impact on business including civil society organisations</b>	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.
<b>Operational impact (£m) (HMRC or other)</b>	There are estimated to be fewer than 30 fuel stations in the areas where the fuel discount scheme has been extended to. This should therefore have no have no major impact on existing resources in HMRC.
<b>Other impacts</b>	All fuel retailers within the eligible areas, irrespective of size, may register for the relief.

### Monitoring and evaluation

HMRC will monitor the impact that the scheme has in specific geographical areas.

### Further advice

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

### Declaration

The Rt Hon Danny Alexander MP, Chief 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.