

The change in the rebating of fuel and how it affects you.

From the 1st April 2022 the rebated tax on red diesel will no longer be applied to red diesel for many in the UK. Only the following sectors may continue to operate using red diesel as normal;

- Vehicles and machinery used in agriculture, horticulture, fish farming and forestry. This includes allowing vehicles used for agriculture to be used for cutting verges and hedges, snow clearance and gritting roads.
- To propel passenger, freight or maintenance vehicles designed to run on rail tracks
- For heating and electricity generation in non-commercial premises – this includes the heating of homes and buildings such as places of worship, hospitals and townhalls; off-grid power generation; and non-propulsion uses on permanently-moored houseboats
- For maintaining community amateur sports clubs as well as golf courses (including activities such as ground maintenance, and the heating and lighting of clubhouses, changing rooms etc.)
- As fuel for all marine craft refuelling and operating in the UK (including fishing and water freight industries), except for propelling private pleasure craft in Northern Ireland.
- For powering the machinery (including caravans) of travelling fairs and circuses.

Furthermore, you can use up your stock of rebated fuel after the rules change, providing you obtained and stored it before 10 June 2021 (when the Finance Act 2021 introducing the legislative changes received Royal Assent) for the following:

- contingency back-up electricity generation in premises used for commercial purposes; and
- critical safety and environmental protection appliances or machines in premises used for commercial purposes.

If you have stocks of rebated fuel held for use as contingency back-up but which were obtained after 10 June 2021, or you need to continue to use rebated fuel for technical or safety reasons, you may be granted a licence by HMRC to continue using rebated fuel.

Fuel users will not be expected to flush out all traces of rebated fuel from the fuel tanks of back-up generators or critical safety and environmental appliances, or from storage tanks used to supply them.

Contingency back-up electricity generation means: using contingency back-up generators when necessary to ensure continuity of power and does not include generators used as the main source of everyday electricity; commercial electricity generators such as those activated to manage pressures to the national grid, and where a volume of back-up fuel is required to be held in reserve for security and regulatory purposes to maintain essential electricity supply.

The term critical safety and environmental appliances includes fire protection systems, medical and life support equipment, and auxiliary boilers which are designed to provide safety and environmental protection.

Why the change?

In March 2021 the government issued a policy paper entitled 'Reform of diesel and other rebated fuels entitlement'. The primary aim of this policy is to discourage the use of diesel to assist the government achieving nett zero in greenhouse emissions by 2050. By removing the rebate on red diesel for many consumers it is hoped to encourage them to consider other, less polluting methods of operating.

Unable to use your stored red diesel before 1st April 2022?

HMRC are asking users who know now that they are unlikely to be able to use up or dispose of their stocks of red diesel in time to contact HMRC at oils.policymail@hmrc.gov.uk, so they can consider giving them a licence to use up that fuel after 1 April.

Anyone granted a licence, will have to tell HMRC the quantity of rebated fuel they still have on hand at 1 April, and must pay the additional (46.81 pence per litre) duty to bring it up to the full duty rate before using it up. The licence will apply only until they have used up all of the remaining rebated diesel, unless they are satisfied there is a technical or safety reason that prevents them from switching to full duty paid diesel. An example of a possible safety or technical reason could relate to a situation where the use of white diesel fuel may not be compatible with certain types of machines therefore potentially having a negative impact (i.e., the machine cannot operate safely) resulting in no other option but to continue using red diesel.

Any fuel obtained before 11 June 2021 for back-up power generation may be used up after 1 April without a licence and without payment of the duty difference.

In considering any request for a licence, HMRC will want to see that you have done everything possible to limit and manage down these residual stocks. The HMRC would not expect you to receive supplies of fuel after these changes were announced if used for a non-

allowed purpose after 1 April. The HMRC may ask to see records of fuel purchases and use, as well as stock balances, before making a decision.

What you need to do

If the situation described above applies to you, then should provide the following details to the email address mentioned above:

- The name of the company or business.
- The equipment the rebated fuel will be used for/in.
- The addresses or sites where rebated fuel is being stored.
- How much rebated fuel is currently stored at these premises?
- How much rebated fuel you anticipate to not have used by 1 April 2022.
- The dates and amounts of rebated fuel delivered into storage since 10 June 2021.
- If you have placed orders that have yet to be delivered, the date the order was placed, the amount ordered and why the order cannot be changed or cancelled.

If you use fuel for back-up power generation to ensure continuity of critical services, HMRC will also need to know:

- The amount of rebated fuel you had on hand on 10 June 2021.
- The amount of rebated fuel you had already ordered for this purpose before 11 June 2021, when that fuel was delivered and why the order could not be changed or cancelled.

If you need to continue using rebated diesel after the rules change for technical or safety reasons, the HMRC will also need to know:

- what machines you use rebated fuel in.
- how much fuel you use e.g., monthly or annually, in these machines
- why full duty paid fuel cannot be used.

You will need to provide evidence to support your request.

Penalties for non-compliance

Should the HMRC have evidence or reason to believe that you have put rebated fuel into non-exempted equipment intentionally or recklessly after the rules changed, you may be subject to civil or criminal sanctions. This could result in fines and/or seizure of equipment. HMRC officers will have the discretion not to seize equipment if you can demonstrate, using invoices and receipts, that you did not put rebated fuel into the fuel tanks after the rules changed.

HMRC have provided assurance that every consideration will be taken to appreciate the steps you have taken to switch to using diesel which has had full duty paid. Ensure you retain invoices and delivery documentation to provide HMRC proof that your red diesel has not been



stockpiled and the full duty has been paid on white diesel and biofuel purchases, where applicable.

To ensure compliant fuel deliveries, tanks will need to be clearly and accurately labelled and approved by a competent, authorised representative of the business. Supplies of rebated and non-rebated fuel will need to be stored in separate tanks or of not, tanks and supply lines to be flushed in-between permitted and non-permitted uses (where applicable).



Further information about these changes can be found here: [Changes to rebated fuels entitlement from 1 April 2022 - GOV.UK \(www.gov.uk\)](#)

