

**EXPLANATORY MEMORANDUM TO**  
**THE HYDROCARBON OIL AND BIOFUELS (ROAD FUEL IN DEFINED**  
**AREAS) (RELIEFS) REGULATIONS 2011**

**2011 No. 2935**

1. This explanatory memorandum has been prepared by HM Revenue and Customs and is laid before Parliament by Command of Her Majesty.

2. **Purpose of the instrument**

This Instrument, which comes into force on 1 January 2012, provides for a relief from excise duty charged on unleaded petrol, diesel, biodiesel, bioblend and bioethanol blend purchased by a retailer for supply within the Inner and Outer Hebrides, the Northern Isles, the Islands in the Clyde and the Isles of Scilly. Retailers registered with HM Revenue and Customs are entitled to claim relief of 5 pence per litre provided it is passed on to end consumers.

3. **Matters of special interest to the Joint Committee on Statutory Instruments**

None

4. **Legislative Context**

4.1 Section 20AA of the Hydrocarbon Oil Duties Act 1979 confers powers on the Commissioners of Revenue and Customs to make regulations allowing reliefs of excise duty charged on hydrocarbon oils.

4.2 The relief allowed under these Regulations provides, in effect, for a lower rate of duty on the qualifying fuels supplied in the defined areas for use as road fuel. In order to provide for lower rates on unleaded petrol and gas oil in the defined areas the United Kingdom had to apply for a derogation from Council Directive 2003/96/EC<sup>1</sup> restructuring the Community framework for the taxation of energy products and electricity. Article 19 (1) of that Directive provides that the Council, acting unanimously on a proposal from the Commission, may authorise Member States to introduce reductions in taxation for specific policy considerations.

4.3 The Council Decision authorising the United Kingdom to apply reduced rates to unleaded petrol and gas oil was made on 24 November 2011. Under the Council Decision the reduction cannot exceed 5 pence per litre.

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<sup>1</sup> OJ;L 283, 31.10.2003, p 51

## **5. Territorial Extent and Application**

This instrument applies to the Inner and Outer Hebrides, the Northern Isles, the Islands in the Clyde and the Isles of Scilly

## **6. European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy background**

7.1 Budget March 2011 announced that the Government had applied to the European Commission to implement a rural fuel duty relief scheme intended to deliver a 5 pence per litre duty relief on unleaded petrol and diesel for road use across the Inner and Outer Hebrides, Northern Isles, islands in the Clyde and Isles of Scilly.

7.2 The price of fuel on the Scottish islands is on average 10ppl and on the Scilly Isles is 25ppl more than in other parts of the UK, due mainly to higher transport and distribution costs. The 5ppl relief will offer some help to consumers in the areas concerned who are faced with the high costs of petrol and diesel.

7.3 The scheme is likely to be of interest to other remote areas of the UK where the cost of fuel is higher than average.

- Consolidation

None

## **8. Consultation outcome**

The instrument has been exposed for a consultation period of 10 days. It has been necessary to shorten the period of consultation to meet the legislative timetable. The legislation imposes no significant new obligations or responsibilities upon business. HM Treasury ran an informal consultation during July to September in relation to the mechanics of the relief scheme with a number of interested parties including those representing fuel retailers, fuel distributors and transport services, following which changes to the scheme were made to reduce the burden on retailers.

## **9. Guidance**

A Revenue and Customs brief has been prepared and is available from 9th December 2011 on the HMRC website at <http://www.hmrc.gov.uk/news/index>.

## **10. Impact**

10.1 The impact on business, charities or voluntary bodies is negligible.

10.2 There is no impact on the public sector.

10.3 A Tax Information and Impact Note covering this instrument was published on 25 November 2011 alongside a draft of this instrument and is available on the HMRC website at <http://www.hmrc.gov.uk/thelibrary/tiins.htm>. It remains an accurate summary of the impacts that apply to this instrument.

## **11. Regulating small business**

11.1 The legislation applies to small business if they supply retail sales of unleaded petrol and diesel as road fuel.

11.2 To minimise the impact of the requirements on firms employing up to 20 people, the approach taken is to keep to a minimum any new regulatory requirements as part of this change.

## **12. Monitoring & review**

Reviews of compliance with the practical application of the new regulations will form part of the compliance review programme of the Excise, Customs, Stamps and Money Directorate of HMRC.

## **13. Contact**

Catherine Mawer at HM Revenue and Customs  
Tel: 0207 147 0655  
email: [Catherine.Mawer@hmrc.gsi.gov.uk](mailto:Catherine.Mawer@hmrc.gsi.gov.uk)