

**EXPLANATORY MEMORANDUM TO**  
**THE EXCISE DUTIES (ROAD FUEL GAS) (RELIEFS) REGULATIONS 2012**  
**2012 No. 3056**

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

2. **Purpose of the Statutory Instrument**

2.1 This instrument, which comes into force on 1 January 2013, provides for partial relief from the payment of excise duty on road fuel gas that is chargeable by virtue of section 8 of the Hydrocarbon Oil Duties Act 1979 (c.5) (“the Oil Act”). The purpose of this instrument is to negate, temporarily, the effect of the increases in duty on road fuel gas provided for by section 20 of the Finance Act 2011 (c.11) until legislation to be introduced by the Finance Bill 2013 to amend the rate of duty comes into effect. In practice this will mean that a person will not be liable to pay the increase in duty provided for by section 20 of the Finance Act 2011.

3. **Matters of Special Interest to the Joint Committee on Statutory Instruments**

3.1 None.

4. **Legislative Context**

4.1 Section 8 of the Oil Act provides that a duty of excise shall be charged on road fuel gas, defined in section 5 of the Oil Act as any substance which is gaseous at a temperature of 15°C and under a pressure of 1013.25 millibars for use as fuel in road vehicles. Although a wide variety of gases could theoretically be caught by the definition in section 5 of the Oil Act only liquefied petroleum gas (LPG) and natural gas (NG) are currently regularly used as fuel in road vehicles in the United Kingdom.

4.2 Section 6 of the Finance Act 2004 amended sections 5 and 8 of the Oil Act to provide for separate rates of duty for LPG and NG. It did this by introducing a new definition of, and rate of duty for, natural road fuel gas. Natural road fuel gas is road fuel gas with a methane content of not less than 80%. The amendments made by section 6 of the Finance Act 2004 came into force on 1 September 2004 at the same time as changes to other fuel duties.

4.3 Budget 2011 announced that, on 1 January 2012, the duty rate for natural gas would increase by £0.0437 per kg to maintain the differential with main road fuel duty rates £ per litre equivalents, and the duty rate for other road fuel gas, including LPG, would increase by £0.0573 per kg to narrow the differential with the main road fuel duty rates by the equivalent of 1 penny on a litre of petrol.

4.4 To give effect to this decision, section 20 of the 2011 Act amended the Oil Act to provide for those rates of excise duty on road fuel gas to be increased with effect from 1 January 2012. The increase in the rate for NG reflected the £0.0302 per litre increase for liquid road fuels. The increase in the rate for other road fuel gas including LPG included an additional amount (the equivalent of 1 penny per litre) to narrow the excise duty differential between the main road fuels and LPG. This differential reduction was not made to NG because the Government considered that it offered greater environmental benefits relative to LPG. For NG the increase was £0.0437 per kilogram, and for other road fuel gas, including LPG, it was £0.0573 per kilogram.

4.5 The decision to defer the 1 January 2012 increase in fuel duty to 1 August 2012 was announced by the Chancellor on 29 November 2011. The Chancellor announced in June 2012 a further deferral of the increases until 1 January 2013. On 5th December 2012, in the Autumn Statement 2012, the Chancellor announced that in practice the increases in duty provided for by section 20 of the Finance Act 2011 would not take place. Future increases, over the Parliament, will be implemented on 1 September each year instead of in April – including on 1 September 2013.

4.6 To give effect to these decisions, the Excise Duties (Road Fuel Gas) (Reliefs) (No. 2) Regulations 2011 (S.I. 2011/3064) provided partial relief from payment of the duty charged on road fuel gas in relation to road fuel gas that is charged with duty on or after 1st January 2012 and before 1st August 2012. Section 188 of the Finance Act 2012 provides that on or after 1st August 2012 but before 1st January 2013 the Oil Act has effect as if the amendments made by section 20 of the Finance 2011 had never been made.

4.7 Now this instrument provides for partial relief from payment of the duty charged on road fuel gas with effect from 1 January 2013. It applies to road fuel gas that is charged with duty on or after 1 January 2013. In practical terms, a person will be liable to pay £0.2470 per kilogram duty on natural road fuel gas and £0.3161 per kilogram on other road fuel gas, including LPG.

4.8 This instrument applies only to road fuel gas. The changes to fuel duty rates in respect of liquid fuels made by section 20 of the Finance Act 2011, in effect, negated by a separate Order, the Excise Duties (Surcharges or Rebates) (Hydrocarbon Oils etc.) Order 2012 (S.I. 2012/3055). A separate explanatory memorandum has been prepared for that Order, which has been laid before the House of Commons.

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

This instrument applies to all of the United Kingdom.

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

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

## **7. Policy Background**

- *What is being done and why*

7.1 The rates of fuel duty, including those for road fuel gases, were increased by the Finance Act as a result of the Chancellor of the Exchequer's Budget 2011. Changes to the duty rates were to take effect on 1 January 2012.

7.2 As a result of the application of the Excise Duties (Road Fuel Gas) (Reliefs) (No. 2) Regulations 2011 (S.I. 1011/3064) and section 188 of the Finance Act 2012, there has been no liability to pay this increase.

7.3 The decision to continue not to apply this increase from 1st January 2013 was announced by the Chancellor on 5 December 2012.

7.4 This instrument negates the increases in fuel duty only temporarily, Finance Bill 2013 will introduce legislation to amend the rates of duty in the Oil Act.

- *Consolidation*

7.5 There is no intention to consolidate.

## **8. Consultation Outcome**

8.1 In line with the Government's Tax Consultation Framework, no consultation has been undertaken in relation to this instrument.

## **9. Guidance**

9.1 Fuel duty rates are available on the HMRC website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

## **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 (TIIN) covering this instrument will be published on the HMRC website at <http://www.hmrc.gov.uk/thelibrary/tiins.htm>

## **11. Regulating Small Business**

11.1 The legislation applies to small business.

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.

11.3 The basis for the final decision on what action to take to assist small businesses was that no additional regulatory requirement was imposed by this change which will benefit businesses, including small businesses, where fuel is part of the ongoing running costs

## **12. Monitoring and Review**

12.1 The policy will be monitored through information collected from tax receipts.

## **13. Contact**

13.1 Catherine Mawer at HM Revenue and Customs, Tel: 020 7147 0655, e-mail: [Catherine.Mawer@hmrc.gsi.gov.uk](mailto:Catherine.Mawer@hmrc.gsi.gov.uk) can answer any queries regarding the instrument.