

**EXPLANATORY MEMORANDUM TO**  
**THE BIOFUELS AND HYDROCARBON OIL DUTIES (MISCELLANEOUS**  
**AMENDMENT) REGULATIONS 2016**

**2016 No. 976**

**1. Introduction**

1.1 This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before Parliament by Command of Her Majesty.

**2. Purpose of the instrument**

2.1 These Regulations amend the Biofuels and Other Fuels Substitutes (Payment of Excise Duties Etc.) Regulations 2004 (S.I. 2004/2065) ("the principal Regulations") so that they apply to aqua methanol and provide for the administration and collection of excise duty charged on it.

2.2 They also make amendments to the Excise Duties (Deferred Payment) Regulations 1992 (S.I. 1992/3152), so that those Regulations provide for the deferment of excise duty in respect of aqua methanol and the Excise Warehousing (Energy Products) Regulations 2004 (S.I. 2004/2064), so that aqua methanol falls within the definition of "special energy products" and, for the purposes of the treatment of warehoused special energy products, is treated as charged with duty under section 6AG of the Hydrocarbon Oil Duties Act 1979 ("HODA").

**3. Matters of special interest to Parliament**

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

3.1 None.

*Other matters of interest to the House of Commons*

3.2 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

**4. Legislative Context**

4.1 Section 152 of the Finance Act 2016 (c.24) inserted a new section 6AG into HODA to provide for a separate charge to excise duty on aqua methanol set aside for a chargeable use or put to a chargeable use. "Chargeable use" means use (a) as fuel for any engine, motor or other machinery or (b) as an additive or extender in any substance so used.

4.2 The principal Regulations regulate the administration and collection of the excise duties charged on biodiesel, bioethanol and other fuel substitutes. These Regulations amend the principal Regulations, and the Regulations referred to in paragraph 2.2 above, so that they also apply to aqua methanol.

4.3 The Aqua Methanol (Use as Additive or Extender) (Rates of Excise Duty) Order 2016 (S.I. 2016/975) is related to the principal Regulations. The rates of duty prescribed by that Order are determined by the entry made in the motor fuels record in the Schedule

to the principal Regulations, which is amended by this instrument to cover aqua methanol.

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

5.1 The extent of this instrument is to the United Kingdom.

5.2 The territorial application of this instrument is to 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 On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

7.2 Under HODA, certain alternative fuels benefit from a lower rate of fuel duty than that applied to petrol and diesel, in recognition of their environmental benefits.

7.3 The fuels included in this group are compressed natural gas (CNG), liquid natural gas (LNG), biomethane and liquefied petroleum gas (LPG).

7.4 In line with Government policy to provide incentives to cleaner fuels, the Government announced at Budget 2014 that it will apply a reduced rate of fuel duty to aqua methanol that is set aside for road use.

7.5 The rate of duty for aqua methanol set aside for use, or used, as fuel for any engine, motor or other machinery is set at 7.90 pence per litre. The rate of duty when aqua methanol is set aside for use, or used, as an additive or extender in any substance used as fuel for any engine, motor or other machinery is prescribed by the Aqua Methanol (Use as Additive or Extender) (Rates of Excise Duty) Order 2016 (S.I. 2016/975).

7.6 The amendments made to the principal Regulations by these regulations ensure that, for the purposes of administering and collecting the duty charged on aqua methanol, the provisions in the principal Regulations apply and that the particulars of how aqua methanol is set aside for use, or used, as fuel in any engine motor or other machinery are contained in the motor fuels record that is required to be kept.

### *Consolidation*

7.7 There are currently no plans to consolidate the amendments made to the principal Regulations.

## **8. Consultation outcome**

8.1 An informal consultation was conducted with key stakeholders and feedback from this exercise has been fully considered in drafting this legislation.

## **9. Guidance**

- 9.1 The Excise Notice 179: motor and heating fuels - general information and accounting for Excise Duty and VAT, available on [www.gov.uk](http://www.gov.uk) will be revised to reflect the change.

## **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 10 December 2014 alongside draft clauses of the Finance Bill 2015 and is available on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>. It remains an accurate summary of the impacts that apply to this instrument.

## **11. Regulating small business**

- 11.1 The legislation applies to activities that are undertaken by small businesses.
- 11.2 To minimise the impact of the requirements on small businesses (employing up to 50 people), the approach taken is to keep to a minimum any new regulatory requirements as part of this change.

## **12. Monitoring & review**

- 12.1 Reviews of compliance with the practical application of the Order will form part of the compliance review programme of the Indirect Tax Directorate of HM Revenue and Customs.

## **13. Contact**

- 13.1 Andy West at HM Revenue and Customs (Telephone: 03000 554641 or email: [andy.west@hmrc.gsi.gov.uk](mailto:andy.west@hmrc.gsi.gov.uk)) can answer any queries regarding the instrument.