

Simplification of biofuels scheme



HM Revenue & Customs

On 30 June this year, HM Revenue & Customs (HMRC) introduced measures* to reduce compliance burdens on non-commercial and small and medium sized producers. If you make less than 2,500 litres of biofuel a year you no longer have to register with HMRC and pay duty. Also, producers making between 2,500 litres and 450,000 litres a year will change from monthly to quarterly returns. The new annual threshold is aimed at non-commercial producers who make the fuel for their own use.

Biofuel producers (and motor and heating fuel users in general) are required to register their production premises with HMRC if they produce more than 2,500 litres a year. This includes producers of 100% heating fuel. The threshold only refers to excise duty and does not apply to other taxes (such as VAT) which may be due on your total business activities.

The new regulations have as a condition that separate production at the same premises or sets of premises must register and account for duty if the total of that production exceeds 2,500 litres a year. **The threshold does not apply separately to each individual producer at the same premises or sets of premises and/or the separate production levels of co-operatives, collectives or partnerships. The producer(s) must register if total production at the same premises or sets of premises exceeds 2,500 litres a year.** The liability to account for duty extends to anyone who sets aside or uses any fuel (which has not borne duty) as a motor and heating fuel and there are heavy penalties for failing to comply with this requirement.

If you are in any doubt about how the new measures affect you please get in touch with the HMRC advice service on 0845 010 9000.

*“The Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc) (Amendment) Regulations 2007” and “The Biofuels and Other Fuel Substitutes (Payment of Excise Duties etc) (Amendment) (No2) Regulations 2007” Buying and selling biofuel for off-road use

If you produce biodiesel you should (as a general rule) charge duty on every sale, regardless of the use it is going to be put to. If the biodiesel is used for an off-road use it is your customer who can claim back the duty. As a supplier you may come under pressure to supply fuel at an off-road or nil (heating fuel) rate. You should take this option only if you hold compelling evidence that the fuel has been/will be used off-road. A purchase order alone is not compelling evidence and we consider that satisfactory evidence is unlikely to be held by a supplier. If evidence is not acceptable HMRC will

demand payment from the supplier of the fuel.

If you are buying biodiesel for off-road use you will be charged the road-rate of duty. It is your responsibility to claim the duty back and keep evidence of the use that the fuel has been put to.

If you are using the biodiesel that you produce for off-road purposes (self-supply) you should account for duty at the appropriate duty rate and record the supplies in your motor fuels record. Details on the records you must keep and on how to make claims for repayment of duty can be found in notice 179E "Biofuels and other fuel substitutes".

Biodiesel blended with rebated fuel

The off-road rate for 100% use of biodiesel is currently 3.13 pence per litre (ppl). If you mix biodiesel with marked or rebated fuel, such as kerosene or gas oil, the duty rate for the whole blend is currently 56.94 pence per litre. This high rate was set to discourage the blending of marked fuel with biodiesel and the misuse of these blends as road fuel. However, it was announced in Budget 2007 that the high duty rate will be reduced in 2008 (to an off-road rate) depending on research and the results of current trials of blends used in locomotives. Rates of duty are available on the HMRC website – www.hmrc.gov.uk .

Notice 179E - Biofuels and other fuel substitutes

A revised version of the notice, including information contained in this article, is being produced and will be available shortly on the HMRC website. The website also contains information and answers to frequently asked questions on a range of fuel duty issues including the treatment of biofuels.

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