

**Reforms to the tax treatment of red diesel
and other rebated fuels:**
Consultation response submission form

Publication date: 9 July 2020

Closing date for comments: 1 October 2020

Consultation

The government is dedicated to meeting its climate change and wider environmental targets, including improving the UK's air quality. At Budget 2020, the government therefore announced that it will remove the entitlement to use red diesel from April 2022, except in agriculture (as well as forestry, horticulture and pisciculture), rail and for non-commercial heating (including domestic heating).

The government has launched a consultation to seek views on whether it has overlooked any exceptional reasons why other sectors should be allowed to continue to use red diesel beyond April 2022. The consultation asks for views on the government's proposals for implementing the changes announced at Budget, and is also seeking further information about the current end uses of other rebated fuels, such as non-aviation kerosene and fuel oil.

The consultation in full can be found on the following GOV.UK page:
<https://www.gov.uk/government/consultations/consultation-on-reforms-to-the-tax-treatment-of-red-diesel-and-other-rebated-fuels>

How to respond

The best way to respond to this consultation is to complete this submission form, and email it to: ETTAnswers@hmtreasury.gov.uk

Alternatively, representations by mail can be sent to:

Red diesel consultation
Energy and Transport Tax team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Any questions about the consultation can also be sent to:

ETTanswers@hmtreasury.gov.uk

Paper copies of this document or copies in Welsh and alternative formats may be obtained free of charge from the above address. This document can also be accessed from GOV.UK.

All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

Where possible, please also provide evidence to support your responses. This consultation will inform future policy development. The government will set out its intentions once it has considered the responses received.

Processing of Personal Data

This notice sets out how HM Treasury will use your personal data for the purposes of this consultation and explains your rights under the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA).

Your data (Data Subject Categories)

The personal information relates to either a member of the public, parliamentarians, and representatives of organisations or companies who respond to this consultation.

The data we collect (Data Categories)

For the purposes of the GDPR, we will process the information that you include in your correspondence, which may include your name, address, email address, phone number, job title, and employer of the correspondent, in addition to your opinions on the consultation. It is possible that respondents may volunteer additional identifying information about themselves or third parties.

Legal basis of processing

The processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in HM Treasury. For the purpose of this consultation the task is consulting on departmental policies or proposals or obtaining opinion data in order to develop good effective government policies.

Special categories data

Any of the categories of special category data may be processed if such data is volunteered by the respondent.

Legal basis for processing special category data

Where special category data is volunteered by you (the data subject), the legal basis relied upon for processing it is: the processing is necessary for reasons of substantial public interest for the exercise of a function of the Crown, a Minister of the Crown, or a government department.

This function is consulting on departmental policies or proposals, or obtaining opinion data, to develop good effective policies.

Purpose

The personal information is processed for the purpose of obtaining the opinions of members of the public and representatives of organisations and companies, about departmental policies, proposals, or generally to obtain public opinion data on an issue of public interest.

Who we share your responses with

Information provided in response to a consultation may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA) and the Environmental Information Regulations 2004 (EIR).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice

with which public authorities must comply and which deals with, amongst other things, obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury.

Where someone submits special category personal data or personal data about third parties, we will endeavour to delete that data before publication takes place.

Where information about respondents is not published, it may be shared with officials within other public bodies involved in this consultation process to assist us in developing the policies to which it relates. Examples of these public bodies appear at: <https://www.gov.uk/government/organisations>.

As the personal information is stored on our IT infrastructure, it will be accessible to our IT contractor, NTT. NTT will only process this data for our purposes and in fulfilment with the contractual obligations they have with us.

How long we will hold your data (Retention)

Personal information in responses to consultations will generally be published and therefore retained indefinitely as a historic record under the Public Records Act 1958.

Personal information in responses that is not published will be retained for three calendar years after the consultation has concluded.

Your rights

You have the right to request information about how your personal data are processed and to request a copy of that personal data.

You have the right to request that any inaccuracies in your personal data are rectified without delay.

You have the right to request that your personal data are erased if there is no longer a justification for them to be processed.

You have the right, in certain circumstances (for example, where accuracy is contested), to request that the processing of your personal data is restricted.

You have the right to object to the processing of your personal data where it is processed for direct marketing purposes.

You have the right to data portability, which allows your data to be copied or transferred from one IT environment to another.

How to submit a Data Subject Access Request (DSAR)

To request access to personal data that HM Treasury holds about you, contact:

HM Treasury Data Protection Unit

G11 Orange

1 Horse Guards Road

London

SW1A 2HQ

dsar@hmtreasury.gov.uk

Complaints

If you have any concerns about the use of your personal data, please contact us via this mailbox: privacy@hmtreasury.gov.uk.

If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner, the UK's independent

regulator for data protection. The Information Commissioner can be contacted at:

Information Commissioner's Office

Wycliffe House

Water Lane

Wilmslow

Cheshire

SK9 5AF

0303 123 1113

casework@ico.org.uk

Any complaint to the Information Commissioner is without prejudice to your right to seek redress through the courts.

Contact details

The data controller for any personal data collected as part of this consultation is HM Treasury, the contact details for which are:

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1 Horse Guards Road

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020 7270 5000

public.enquiries@hmtreasury.gov.uk

The contact details for HM Treasury's Data Protection Officer (DPO) are:

The Data Protection Officer

Corporate Governance and Risk Assurance Team

Area 2/15

1 Horse Guards Road

London

SW1A 2HQ

London

privacy@hmtreasury.gov.uk

About you

1. What is your name?

Resource Management Association Scotland (RMAS) – A not for profit, non-political organisation for micro, small and medium sized waste and resource management companies in Scotland currently with over 50 members.

2. What is your email address?

info@rmascotland.co.uk

3. Which category in the following list best describes you or the business/representative organisation you represent?

- Academic or research
- Agriculture, forestry, horticulture or pisciculture
- Airport operations
- Charity or voluntary organisation
- Chemical production
- Construction, including plant and equipment hire
- Electricity generation and portable generators
- Fuel supplier (if you are a Registered Dealer in Controlled Oil, please note below)
- Groundworks contractor
- Haulage
- Individual (including users of fuel for domestic purposes)
- Logistics and freight
- Manufacturing
- Maritime or inland waterway vessel operator
- Mining and quarrying
- Non-governmental organisation
- Oil and gas
- Property manager or maintainer
- Public entertainment (e.g. funfairs and travelling circuses)
- Public sector
- Rail industry
- Waste oil processors

If you are replying on behalf of a business or representative organisation, please provide the name of the organisation/sector you represent, where your business(es) is located, and an approximate size/number of staff (where applicable).

SRMA (Scotland) Ltd, Trading as the Resource Management Association Scotland (RMAS). The RMAS is a membership organisation for micro, small and medium sized waste and resource management companies operating in Scotland. Membership is growing and currently stands at 54 members. We note that in the previous question which requests category of business etc., the Waste & Resource Management Sector is omitted. RMAS is asking for an exemption for registered waste management & recycling companies from the removal of the rebate on red diesel by the UK Government as has been afforded to other sectors such as agricultural, fisheries etc. We as a sector serve and support multiple sectors as was recently acknowledged and recognised during the Covid-19 Crisis where our sector was rightly identified as an essential service with our employees deemed to be essential workers. The loss of this exemption to our sector will have significant operational, and economic impacts which will greatly reduce sector resilience and future investment and growth opportunities, and will have accumulative and far reaching consequences for our sector and the customers we serve.

RMAS find it surprising that UK HMRC does not recognise the impact that this change i.e. the loss of exemption will have on the sector. In the commissioned IFF consultancy report published in February 2019 the Waste & Recycling Sector was identified as the second largest sector after the Construction Sector that will be impacted by this loss of exemption.

4. Would you like your response to be confidential and, if so, why?

No

Sectors retaining entitlement to use red diesel – chapter 4

Chapter 4 sets out why the government is not proposing to change the entitlement to use red diesel and rebated biofuels for agriculture (including forestry, horticulture and pisciculture), rail and for non-commercial heating (including domestic heating). It seeks views on whether the continued entitlement to use red diesel and rebated biofuels is justified for any other users.

Questions

5. Will removing the entitlement to use red diesel in your sector create perverse environmental outcomes? If so, please explain how, providing relevant evidence.

- Yes
 No
 Don't know

The removal of the entitlement will reduce the already slim profit margins for the sector, as there is very limited scope to pass on or absorb additional costs. This cost impact will result in increases to the cost of recycling which will result in waste management companies streamlining their services and potentially restricting the types and quantities of materials recycled, to enable them to maintain financial viability. The consequence of this will have a direct impact on national recycling targets with fewer materials recycled at a higher price.

This change will also give a greater advantage to the illegal 'cowboy' operators who already disregard current legislation. These illegal operators will further undercut charges, not treat or dispose of the waste and recycling correctly, operating out-with the law – which will lead to further fly-tipping, and the consequential detrimental impacts on the environment.

6. Will removing the entitlement to use red diesel in your sector have an impact on the price of goods and services households and/or voluntary organisations use or pay for over the long-term? If so, please provide relevant evidence.

Yes

No

Don't know

RMAS find it surprising that the HMRC does not recognise the impact that the loss of the exemption will have on the Waste & Recycling Sector within this consultation paper – the sector is not listed. Previously in February 2019 our sector was identified within a IFF consultancy commissioned report as the second largest sector after the Construction Sector that will be impacted.

The Sector as a result of this loss of exemption will have no option but to pass on significant cost increases to customers, many of whom are already facing extremely challenging markets and loss of business as a result of the global Covid-19 pandemic and the on-going impacts this will continue to have for a considerable time. The other option will be to absorb costs which would not be sustainable in the longer term, with many companies already having to make significant changes, restructuring and streamlining as a direct result of Covid-19. The loss of exemption for red diesel will have significant and long reaching financial impacts on RMAS members, their customers, suppliers and contractors.

We expect there will also be an increase in fuel theft as a result of the loss of this rebate.

7. How will removing the entitlement to use red diesel in your sector impact your organisation? Please provide details on:

- a. Your organisation/sector's current red diesel consumption and costs, including as a proportion of total costs, and broken down by different uses (i.e. what types of vehicles and machinery)
- b. The operational and financial capacity of your organisation/sector to shift to alternatives to red diesel (specifying what these alternatives are)
- c. The capacity of your organisation/sector to pass through costs down the supply chain
- d. The capacity of your organisation/sector to absorb extra costs

7a –Across the UK it is estimated the Waste and Recycling Sector uses ~100 million gallons of diesel annually. If the exemption is removed this will result in additional costs of 50 Million Pounds per annum to the Sector. The annual red diesel consumption and costs used by our SME members are estimated as on average 225,539 L, (range 5,000L – 586,525L) per member, with an average cost of £104,213.32, (range £2,100 – £263,936.25). It is estimated that the loss of exemption will cost our members in Scotland on average £114,516.60 per annum (range of £2,500 – £287,397.25). The primary uses for red diesel across the Waste & Resource Management Sector includes mobile plant (shovels, grabs, telehandlers, dump trucks, excavators, bulldozers, etc.), and static & process plant (shredders, screens, generators, etc.).

7b – The majority of members have no current operational or financial capacity to switch to alternative fuels. This has been compounded by the current Covid-19 pandemic and the financial impacts associated with this. Some members are developing plans to shift to alternative fuels where possible, such as electric, bio-fuel and hydrogen. However, in reality currently the options available are extremely limited due to the size of mobile and static plant and the weights of material handled. Current technology is more suited towards smaller machinery rather than machinery designed for bulk material handling. The only viable alternative in the short term for the majority of diesel powered mobile and stationary plant will be white diesel which will have significant financial impacts. We as a Sector are willing to diversify and switch to greener alternatives but it should be noted these greener alternatives do not currently exist for a large proportion of the mobile plant, and this is currently estimated as 5 – 10 years away. Consequently the switch to alternative greener fuels should be introduced incrementally to reflect advancements in technologies and we would welcome a transitional period to allow members to transition from diesel to lower carbon options.

7c – The waste industry is already a highly competitive marketplace with high operating costs and thin profit margins. If the rebate is removed the cost of recycling will have to increase to maintain profit margins, however the options for passing on these higher costs to customers would make the task of processing waste at a competitive price difficult. During the tendering process both private and public sector customers will primarily look for value for money, if costs of recycling increases this will make tendering all the more difficult for SME waste management companies.

7d – The additional cost will significantly impact the profitability of the sector, with limited opportunities to pass on or absorb extra costs. Due to the already slim profit margins, this will have a negative impact on the ability of companies to invest and innovate, render some operations no longer financially viable, lead to streamlining of services, and increase the potential of job losses.

8. What impact do you expect the removal of red diesel entitlements from most sectors will have on the environment and on air quality? Please provide any evidence you deem relevant.

We agree that for some sectors the removal of the red diesel entitlement would encourage switching to greener alternative fuels, and would improve the environment, reduce greenhouse gas emissions and improve air quality. However, as there are no viable alternative fuels other than white diesel for the majority of large scale mobile and static plant machinery used by our sector, any environmental improvements from the waste sector will be very limited, with the potential for adverse environmental impacts by restricting the amounts of recycling that can be processed to ensure businesses remain financially viable. The consequence of this will have a direct impact on national recycling targets with fewer materials recycled at a higher price.

This change will also give a greater advantage to the illegal 'cowboy' operators who already disregard current legislation. These illegal operators will further undercut charges, not treat or dispose of the waste and recycling correctly, operating out-with the law – which again will lead to further fly-tipping, and the consequential detrimental impacts on the environment. We also expect there will be an increase in fuel theft.

9. Do you have any comments on the government's intention to maintain the entitlement to use red diesel for agriculture (as well as forestry, horticulture and pisciculture), rail and for non-commercial heating (including domestic heating) from April 2022?

Though we understand the reasoning as to why the entitlement for red diesel is remaining for agriculture and rail, the same reasoning should be applied to the Waste and Resource Management Sector. Red diesel has continuing importance to the sector, where there are no viable green alternative fuels to power the mobile and static plant, the additional costs associated with white diesel may restrict the amount of materials waste management companies can process, thereby creating adverse environmental outcomes due a reduction in recycling, reprocessing and opportunities for reuse.

10. The government is interested in gathering further information about the use of red diesel for heating. Please provide relevant evidence of your use of red diesel for this purpose, including on: i) the quantity and cost of the fuel; ii) where in the country the fuel is used (including whether you are on or off the gas grid); and iii) whether you consider that there are any viable alternative energy sources available to you.

11. Do the announced changes to the tax treatment of red diesel raise any concerns about the application of existing fuel duty reliefs? If so, please provide details on the relief and the issue that you believe will arise.

Yes

No

Don't know

The Waste and Recycling Industry do not receive any tax incentives other than the one associated with red diesel.

It should be noted that as an industry we already consume significant volumes of diesel on road going vehicles. Red diesel is only being used for machinery that is directly involved in processing waste and recyclables.

Will funds and/or grants be available to support the Waste & Recycling Sector to switch from the use of diesel generators and plant to electric? It should be recognised that significant investment will be required to introduce mains power onto many sites, and as stipulated previously there is a big, infrastructure cost to transitioning to cleaner technology at a time where greener alternatives for larger mobile and static plant is not currently available.

Loss of the exemption will directly result in increased costs of recycling which will have to be passed onto customers. This will result in the following issues:

1. An increase in fly tipping and the consequential detrimental impacts on the environment
2. This will also give a greater advantage to the illegal 'cowboy' operators who already disregard current legislation. These illegal operators will further undercut charges, not treat or dispose of the waste and recycling correctly, operating out-with the law – which again will lead to further fly-tipping, and further economic pressures on legal operators.
3. Increases in fuel theft.

Implementation and ensuring compliance – chapter 5

Chapter 5 outlines the government’s proposals for implementing the changes announced at Budget. It seeks views on proposals to introduce the tax changes, and whether to mandate that fuel suppliers and end users of red diesel must flush out their tanks, pumps and fuel supplies. It also seeks views on whether the government’s suggested approach to ensuring compliance is proportionate and appropriate, as well as setting out the specific implications for private pleasure craft.

Questions

Introduction of changes

12. Are there any circumstances where, despite nearly two years’ notice, users of red diesel that will be losing their entitlement will have already purchased fuel that they do not expect to have used up by April 2022? If so, please provide evidence to explain why you do not expect to be able to manage your supplies so that you have used up all your red diesel by April 2022.

- Yes
- No
- Don’t know

Ensuring compliance: fuel suppliers

13. Do you agree with the government’s suggested approach of mandating RDCOs that switch a fuel tank from red to white diesel in anticipation of the introduction of the tax changes to flush the tank and pump until no trace of marked rebated fuel remains? If you do not, please explain why.

Yes

No

Don't know

There needs to be a reasonable transitional period to enable the switch without further economic disadvantage. Flushing out would mean operations would have to stop. This would result in unnecessary down time, an associated loss of income and additional fuel disposal costs. This change should be implemented on a timely and practical basis that does not place additional financial hardships on the sector.t

14. If you are a fuel supplier, do you foresee any significant difficulties with the proposed arrangements for implementing the changes to the tax treatment of red diesel? If so, please explain why.

Yes

No

Don't know

N/A X

Ensuring compliance: red diesel users

15. Do you agree with the government's suggested approach of not mandating users of red diesel that will lose their entitlement to flush out the fuel supplies of their vehicles and machinery? If you do not, please explain why.

Yes

No

Don't know

Please see responses to Question 13

16. If you are in a sector that will lose entitlement to use red diesel from April 2022, do you foresee any difficulties with the proposed arrangements for implementing the changes to the tax treatment of red diesel? If so, please explain why.

Yes

No

Don't know

The Sector as a result of this loss of exemption will have no option but to pass on significant cost increases to customers, many of whom are already facing extremely challenging markets and loss of business as a result of the global Covid-19 pandemic and the on-going impacts this will continue to have for a considerable time. The other option will be to absorb costs which would not be sustainable in the longer term, with many companies already having to make significant changes, restructuring and streamlining as a direct result of Covid-19. The loss of exemption for red diesel will have significant and long reaching financial impacts on RMAS members, their customers, suppliers and contractors.

As there are no viable alternative fuels other than white diesel for the majority of large scale mobile and static plant waste machinery, any environmental improvements from the waste sector will be very limited, with the potential for adverse environmental impacts by restricting the amounts of recycling that can be processed to ensure businesses remain financially viable.

This change will also give a greater advantage to the illegal 'cowboy' operators who already disregard current legislation. These illegal operators will further undercut charges, not treat or dispose of the waste and recycling correctly, operating out-with the law - which again will lead to further fly-tipping, and the consequential detrimental impacts on the environment

We also expect to see an increase in fuel theft as a result of the loss of exemption.

Ensuring compliance: HMRC enforcement powers and penalties

17. Is the government's suggested approach to compliance proportionate and appropriate? If not, please explain why and outline any scenarios that you anticipate may require bespoke compliance powers or penalties.

Yes

No

Don't know

There are many agricultural operators who could potentially use their agricultural exemption to further increase their profits in their waste/construction businesses and operations. There needs to be a level playing field to avoid this occurring to ensure that some sectors are not given an economic advantage over others – this must be avoided.

Private pleasure craft

18. Do you agree with the government's suggested approach of introducing a new relief scheme where the fuel supplier would deduct from the sale price the duty difference on the proportion of white diesel purchased by private pleasure craft users for non-propulsion use? If you do not, please explain why and give details of an alternative that you believe would be better.

Yes

No

Don't know

N/A x

19. Do you consider that 60% for propulsion and 40% for non-propulsion use still reflects most crafts' typical fuel use? If not, and you are a private pleasure craft user, please provide evidence on your own use. If you are a fuel supplier, please provide evidence on the number of craft users that claim they use more than 40% of their fuel for non-propulsion use.

- Yes
- No
- Don't know
- N/A

20. If the government decides to introduce a new relief scheme, do you consider that the relief should be set as a fixed percentage to reflect most crafts' use or capped at a maximum percentage, meaning that craft users that use less than the maximum for non-propulsion would claim back less? Please explain the reasons for your view.

- Set as a fixed percentage
- Capped at a maximum percentage
- Don't know
- N/A

21. If you are a fuel supplier selling fuel to private pleasure craft, do you foresee any difficulties with implementing the new relief scheme outlined above if the government decides to introduce it? If so, please explain why and whether the government could adapt the scheme to mitigate these difficulties.

- Yes
- No
- Don't know
- N/A

22. Do you agree with the suggested approach for private pleasure craft with two fuel tanks (one for propulsion and a separate one for non-propulsion) to be allowed to continue to use red diesel in the non-propulsion tank where it can obtain it?

Yes

No

Don't know

N/A X

Assessment of other impacts – chapter 6

Chapter 6 sets out the government's current assessment of what impacts the changes to the tax treatment of red diesel and rebated biofuels are expected to generate. It seeks views on whether these changes will generate any unintended impacts that have not been outlined in this consultation.

Questions

23. Is there anything you have not already included in your response that you would like us to note about the impact of the changes to the tax treatment of red diesel, especially any potentially adverse impacts on groups with protected characteristics?

RMAS is calling for an exemption for registered waste management & recycling companies from the removal of the rebate on red diesel by the UK Government.

Currently there are no viable alternative greener fuels other than white diesel for the majority of large scale mobile and static plant machinery used by our sector, any environmental improvements from the waste sector will be very limited, with the potential for adverse environmental impacts by restricting the amounts of recycling that can be processed to ensure businesses remain financially viable.

Therefore there will be no positive environmental outcomes for the sector, instead the increased fuel costs will impact the capacity of waste management companies to effectively and efficiently recycle materials. The negative financial impacts may lead to waste management companies being unable to operate or having to streamline their services and restrict the amounts and types of materials they can recycle. This will impact national recycling targets.

Consequently the switch to alternative greener fuels should be introduced incrementally to reflect advancements in technologies and we would welcome a transitional period to allow members to transition from diesel to lower carbon options.

We would like to request if the government could consider the provision of support for business to help it transition to cleaner fuels sources, develop sources of alternative renewable fuels or provide a subsidy reward for moving to red diesel alternatives. This type of support could be reduced over the next 5 years to ensure that transition support is not long term and rewards correct behaviours.

Tax treatment of other rebated fuels, call for evidence – chapter 7

Chapter 7 sets out that the government is considering whether to revisit the tax treatment of other rebated fuels, such as non-aviation kerosene and fuel oil, to support its environment and air quality objectives. It seeks further information about the current end uses of these fuels.

Questions

24. The government is interested in gathering further information about the end use of non-aviation kerosene, fuel oil, other heavy oils, LPG and natural gas. Please provide relevant evidence on usage of these fuels, particularly in relation to:
- a. the purpose and type of use, such as business, public sector or domestic. Where the fuel is used as motor fuel, it would be useful

to know what types of machinery, including excepted vehicles, it is used to power and what they are used for

- b. the quantity and cost of the fuel used
- c. where in the country these fuels are used (including whether they are on or off the gas grid)
- d. whether you consider that there are any viable alternative fuels available to you to power such machinery, including excepted vehicles, or equipment.

If you know your Standard Industrial Classification code, please also provide this.

You are invited to provide any evidence you deem relevant to this call for evidence, not limited to the information requested.

25. Is there any other information that you wish to highlight to help the government reach a decision on whether to reconsider the tax treatment of these other rebated fuels?

26. If you believe the tax treatment of these other rebated fuels should be reconsidered, do you have any suggestions for how it could be reformed and implemented? Please provide any evidence you deem relevant and consider how this would interact with the changes to the tax treatment to red diesel, both in terms of which sectors the changes would affect (Chapter 4) and how the changes would be implemented (Chapter 5).



HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

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1 Horse Guards Road
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