

Guidance on changes to use of red diesel and other rebated fuels from 1 April 2022

Contents

- What's changing
- When can rebated fuel be used from 1 April 2022
 - Agriculture, horticulture, fish farming and forestry
 - Rail transport
 - Fuel used for non-commercial purposes - heating and power generation
 - Community amateur sports clubs (CASC) and golf courses
 - Sailing, boating and marine transport (excluding private pleasure craft in Northern Ireland)
 - Travelling fairs and circuses
- Preparing for 1 April 2022 – Fuel users
 - Rebated fuel in storage tanks
- Preparing for 1 April 2022 – Registered Dealers in Controlled Oil (RDCO)
- A vehicle or machine used for both allowed and non-allowed purposes
- Emergency back-up power generation used in commercial premises
- Critical safety and environmental appliances or machines used in commercial premises
- HMRC's approach to compliance
- Refilling the tank of a machine/vehicle with rebated fuel outside the UK
- When will the guidance be updated?

What's changing

The government has announced that most machines and vehicles will no longer be able to use rebated (red) diesel and rebated biofuels from 1 April 2022. From this date, we will move away from the current approach of allowing rebated diesel and biofuels to be used in any machine that is not a road vehicle, including certain types of vehicles used mainly off-road. Instead, rebated fuel use will be limited to certain machines, vehicles or vessels and only when used for specific purposes.

Those no longer able to use rebated fuel in diesel-powered machines or vehicles will be required to use diesel or biofuels on which the full rate of fuel duty has been paid.

The rebated fuels affected by these changes are rebated (red) diesel, rebated Hydrotreated Vegetable Oil (HVO), rebated biodiesel and bioblend, and fuel substitutes. HVO is a liquid hydrocarbon which is classified for excise purposes as heavy oil and treated the same as diesel.

Biodiesel, bioblend and fuel substitutes are already subject to fuel duty when they are set aside to be used in an engine, motor or machine. From 1 April 2022, they will also be liable to fuel duty if they are used for heating purposes. The rebated rate of fuel duty rate will apply when used for non-commercial heating, and the full rate of fuel duty when used for commercial heating.

When can rebated fuel be used from 1 April 2022

From 1 April 2022, rebated fuel can only be used in certain machines, vehicles or vessels for "allowed uses". These allowed uses are set out at (a) to (f) below.

(a) Agriculture, horticulture, fish farming and forestry

Rebated fuel can be used in agricultural vehicles, special vehicles, unlicensed vehicles, machines or appliances used for accepted purposes within these sectors. Accepted purposes are explained within the Memorandum of Agreement at [section 9 of Excise Notice 75: Fuels for use in vehicles](#). This notice will be reviewed and updated in advance of April 2022. More details about the definitions are also below.

Rebated fuel can also be used in agricultural vehicles when cutting verges and hedges that border a road, snow clearance, gritting, and assisting any clear-up following flooding.

With the exception of unlicensed vehicles, use of rebated fuel as set out above includes travel on roads to and from the place where the vehicle is used only for those purposes. Where a vehicle or machine allowed to use rebated fuel for these purposes is transported by another vehicle, the vehicle carrying or towing it can only use rebated fuel if it is also an agricultural or special vehicle.

Agricultural vehicles can use rebated fuel when they are used for any other purpose on land where they are kept and used for accepted purposes in agriculture, horticulture, fish farming or forestry.

Definition of a vehicle or machine

An agricultural vehicle is one of the following:

- a tractor
- a single seat, light vehicle (less than 1,000 kilograms), designed and constructed mainly for off-road use

- a vehicle registered only for use between different parts of land for purposes relating to agriculture, horticulture or forestry
- a vehicle designed and constructed, for example with built-in handling and processing equipment, to be used for purposes relating to agriculture, horticulture, fish-farming or forestry

A special vehicle is a vehicle designed, constructed and used as set out in [Part 4](#) of Schedule 1 to the Vehicle Excise and Registration Act 1994, but without any weight restriction. The types of vehicles that fall within that legislation are:

- digging machines
- mobile cranes
- mobile pumping vehicles
- work trucks
- road rollers

An unlicensed vehicle is a vehicle not kept or used on public roads, and for which a statutory off-road notification (SORN), if required, has been made to Driver and Vehicle Licensing Agency.

A machine or appliance that is not a vehicle or vessel and is used for an allowed use may also include non-road mobile machinery.

(b) Rail transport

Rebated fuel can be used to propel and stop a vehicle or machine designed to run on a railway, but not on a tramway. Rebated fuel may not be used to power other machines or equipment used on a railway, such as cooling or heating units in railway freight wagons.

(c) Fuel used for non-commercial purposes - heating and power generation

Rebated fuel can be used for non-commercial power generation and heating premises being used for non-commercial purposes.

Non-commercial purposes mean where the activities carried out at the premises are not concerned with making profit. This includes, for example at premises being used to provide a public service or for charitable fundraising.

Where premises are being used for the purpose of making a profit, for example a school or hospital that charges fees, the fuel would be considered as being used for commercial purposes and you could not use rebated fuel for this.

Heating

Rebated fuel can be used for heating premises being used for non-commercial purposes, including, for example, domestic homes, places of worship, NHS hospitals and townhalls.

Power generation

Rebated fuel can be used for power generation for homes and other premises being used for non-commercial purposes. This includes those not connected to the electricity grid and those that use back-up generators to ensure continuous power supply.

(d) Community amateur sports clubs (CASC) and golf courses

A CASC means a club which is registered as a community amateur sports club as defined in section 658 of the Corporation Tax Act 2010. If you are not already registered as a CASC, you can find [guidance here](#).

Rebated fuel can be used in agricultural vehicles and unlicensed vehicles kept and used on land maintained by a CASC or on a golf course or golf driving range.

Rebated fuel can be used in any machines (other than vehicles) while being used at these clubs or courses, including for heating and lighting of buildings such as clubhouses and changing rooms.

Rebated fuel can also be used in special vehicles, such as diggers and cranes, and mowing machines while working on these grounds.

Where the land or golf course is either side of a public road, rebated fuel can be used in a vehicle while travelling between the two parts by the shortest possible route, providing it is licensed to use the road. Sailing, boating and marine transport (excluding private pleasure craft in Northern Ireland)

(e) Sailing, boating and marine transport (excluding private pleasure craft in Northern Ireland)

All types of boat, except for private pleasure craft in Northern Ireland, may use rebated fuel in their engines and other machines and appliances permanently on the boat. A private pleasure craft is defined in section 9 of [Excise Notice 554](#): *Fuel used in private pleasure craft and for private pleasure flying*.

From 1 October 2021, you may not put rebated fuel into the tank that supplies the engine used to propel a private pleasure craft in Northern Ireland. For more information on fuel used in private pleasure craft in Northern Ireland, see [section 2.3 of Excise Notice 554](#): *Fuel used in private pleasure craft and for private pleasure flying*. A link to revised PPC guidance will be added once published.

(f) Travelling fairs and circuses

Rebated fuel can be used in machines and appliances associated with a fair or circus, providing the fair or circus is not in a place where it spends more than 27 days in a calendar year. This includes fuel for powering the rides and for the accommodation caravans, but excludes fuel used in any vehicle unless the vehicle is a mowing machine or unlicensed vehicle.

Preparing for 1 April 2022 – Fuel users

From 1 April 2022 it will be illegal to put rebated fuel into the tank of a vehicle, vessel, machine or appliance that is not able to use it. As set out above, the use of rebated fuel will be significantly reduced from 1 April 2022.

If you are no longer able to use rebated fuel, you should plan to run down the fuel in your vehicles or machine to close to nil before 1 April 2022. You must not use rebated fuel from 1 April 2022 and must instead use fully duty-paid diesel or biofuels.

You will not be expected to flush out all traces of rebated diesel from the fuel tank of a vehicle or machine .

Rebated fuel in storage tanks

If you are currently able to use rebated fuel but that is changing from 1 April 2022, you should plan to use up any stock of fuel held in storage by this date.

You will not be expected to flush out all traces of rebated fuel from your storage tanks but you should plan to more or less empty your tank and use fully duty-paid diesel or biofuels when putting fuel into your vehicle or machine after the rules change. Any surplus rebated fuel in your storage tanks after 31 March 2022 may be:

- sold or given to someone who is authorised to use it
- sold or given to any Registered Dealer in Controlled Oil (RDCO) (if they will accept returns)
- disposed of via an approved waste oil recycling or disposal company

You will need to keep a record of how and when the fuel was disposed of, or who it was sold to and when. You may sell or otherwise dispose of the surplus fuel as above without needing to be approved by HMRC as an RDCO, but you should keep a record of the sale and disposal as mentioned above.

You may need to review your weekly or monthly usage to determine how much rebated fuel you are likely to use by 31 March 2022, and plan how to manage any surplus stock.

If it becomes apparent that you are unable to manage your reserves of rebated diesel before 31 March 2022, you will need to contact HMRC for advice. Please contact: oils.policymail@hmrc.gov.uk

Preparing for 1 April 2022 – Registered Dealers in Controlled Oil (RDCO)

From 1 April 2022, it will be illegal to put rebated diesel into a vehicle, vessel, machine or appliance for a use that is no longer allowed.

Although the use of rebated fuel will be significantly restricted from 1 April 2022, your responsibility as an RDCO is not changing. You will still need to take all necessary precautions to ensure that you supply rebated fuel only to people who will use it as permitted. You need to familiarise yourself with the changes and establish which customers will be affected. You also need to take care not to supply more rebated fuel than a customer no longer able to use it may realistically use before the rules change.

Affected users will need to deplete their stocks of rebated fuel in the run up to the changes and not put any more into their vehicles or machines after the rules change. It is therefore important that you ensure your customers understand the changes to the rules and help them to prepare by discussing their needs between now and 1 April 2022. This will help your customers to manage down their supplies so that they are not left with surplus rebated fuel in their storage tanks on 1 April 2022.

Where a customer who will no longer be able to use rebated diesel:

- suggests stockpiling rebated fuel
- begins purchasing above their normal amounts, or

- places a larger than normal order shortly before April 2022

you should discuss this with them and direct them to the guidance above on [“Preparing for 1 April 2022 – Fuel users”](#).

You should be able to demonstrate to HMRC that you have undertaken the necessary steps as outlined above to supply rebated fuel only to customers that are able to use it.

HMRC will consider that you have not met your obligations as an RDCO if you supply fuel before 1 April 2022 knowing, or having sufficient reason to believe, it will be put to a use that is no longer permitted after these changes. This includes where, based on normal supply rates, a user is unlikely to use the volume of fuel they order in the remaining time before 1 April 2022.

As a result of the change in demand from red to fully duty-paid diesel or biofuels, you may need to reassign your storage tanks. If you do, they will need to be flushed out to remove all traces of fuel markers. You should keep a record of this being done and keep receipts/invoices if you employ someone to do it. As there may be increased demand for these services in the run up to April 2022, you should consider organising this in advance.

If you will no longer be supplying rebated fuel as a result of these changes, you will need to deregister from the RDCO scheme. See [Excise Notice 192: Registered dealers in controlled oil](#), for information on how to deregister.

A vehicle or machine used for both allowed and non-allowed purposes

It will be illegal to put rebated fuel in a vehicle or machine for a use no longer allowed after the rules change.

If you use a vehicle or machine for both allowed and non-allowed purposes after the rules change, you must either flush out the tank to remove all traces of rebated fuel when switching uses or use fully duty-paid diesel or biofuels for everything.

Before the rules change you will therefore need to take a decision on how you manage the fuel in your vehicles and machines after 1 April 2022.

Emergency back-up power generation used in commercial premises

Rebated fuel can be used for power generation in premises being used for non-commercial purposes but cannot be used in premises used for commercial purposes.

You will not be expected to flush out all traces of rebated fuel from the fuel tanks of back-up generators or storage tanks.

You may use up rebated fuel after the rules change for the purposes of emergency back-up power generation in premises being used for commercial purposes. However, you will need to be able to satisfy HMRC officers that the fuel was purchased when the generator was allowed to use it, and you had no reason to believe at the time of that purchase that the fuel would not be used legally in your generator. An example would be where the fuel was bought before the April 2022 changes were confirmed.

Emergency back-up power generation may include:

- emergency back-up generators which are activated when required to ensure continuity of power rather than where it is used as the main source of everyday power
- commercial electricity generators such as those activated to manage pressures to the national grid, and
- where back-up fuel is required to be kept in tanks for security and regulatory purposes to maintain essential power supply.

Critical safety and environmental appliances or machines used in commercial premises

Rebated fuel can be used for power generation for critical safety and environmental appliances or machines in premises being used for non-commercial purposes but cannot be used in premises used for commercial premises.

You will not be expected to flush out all traces of rebated fuel from the fuel tanks of critical safety and environmental appliances or machines or storage tanks.

You may use up rebated fuel after the rules change for use in other critical safety and environmental appliances or machines in premises being used for commercial purposes. This could include, for example, fire protection systems, medical and life support equipment, and auxiliary boilers which are designed to provide safety and environmental protection.

You will need to be able to satisfy HMRC that the fuel was purchased when the appliance or machine was allowed to use it, and you had no reason to believe at the time of that purchase that the fuel would not be used legally in your critical safety and environmental appliance or machine. An example would be where the fuel was bought before the April 2022 changes were confirmed at Budget 2021.

HMRC's approach to compliance

For those vehicles, vessels, machines and appliances able to use rebated fuel up to 1 April 2022 but not after, there will likely be a period between the rules changing and the rebated fuel in the internal tank or engine of the machine being used up. How long this will take will depend on the type of vehicle/machine, the size of its fuel tank and the rate of fuel consumption.

HMRC may carry out checks on any vehicles or machine using diesel to confirm the correct fuel is being used. If, after 1 April 2022, HMRC find traces of fuel markers in the fuel supply of a vehicle or machine that is not able to use it, you may be asked to provide evidence to demonstrate that any rebated fuel in the vehicle or machine was put in before the rules changed and is still being used up.

You should be able to demonstrate that you have been refilling with the correct fuel since the rules changed by retaining invoices or receipts showing purchase of fully duty-paid diesel or biofuels.

As mentioned above, if you use a vehicle or machine for both allowed and non-allowed purposes after the rules change, you must either flush out the tank to remove all traces of rebated fuel when switching uses, or refill with fully duty-paid diesel or biofuels for all of your use. You should retain the necessary evidence to demonstrate the steps undertaken where vehicles and machines are used for allowed and non-allowed

purposes. For example, if you hire a vehicle or machine which is able to use rebated fuel for specific purposes, you will need to retain evidence to confirm the correct fuel has been put into the fuel tank. HMRC will consider what purpose the vehicle or machine was being used for at the time of inspection and whether this was an allowed purpose.

Where vehicles or machines are found to be running on rebated fuel unlawfully, they are liable to seizure. However, HMRC officers will have the discretion to disapply the liability to seizure providing the user can demonstrate to the officer's satisfaction through invoices/receipts that they have not put rebated fuel into the fuel tanks after the rules changed.

HMRC do acknowledge there will be traces of rebated fuel in tanks after the rules change. HMRC officers will take a pragmatic approach to enforcement, considering the steps you have taken to switch to using fully duty-paid diesel or biofuels. HMRC will target users who deliberately or knowingly use rebated fuel illegally. Therefore, if HMRC officers have evidence or reason to believe you have put rebated fuel into your vehicle or machine intentionally or recklessly after the rules changed, you may be subject to the civil or criminal sanctions set out in [Section 6 of Excise Notice 75: Fuels for use in vehicles](#). Offences include, for example, the taking in or misuse of rebated fuel in a vehicle or machine for use as fuel when not allowed to do so and misuse related to the supply of rebated fuel.

Refilling the tank of a machine/vehicle with rebated fuel outside the UK

In some jurisdictions or countries, such as the Channel Islands, Isle of Man or EU Member States, use of rebated fuel will still be legal in some of the machines or vehicles that will no longer be able to use it in the UK from 1 April 2022. If you refuel your vehicle or machine in a jurisdiction or country where using rebated fuel in that machine is allowed, you can use up that fuel in the UK. You will need to retain receipts or other documents to satisfy HMRC that you have not refilled your vehicle or machine unlawfully in the UK. You will not be required to flush the tank or your vehicle or machine.

When will the guidance be updated?

Excise Notice 75: *Fuels for use in vehicles* will be updated in advance of 1 April 2022. Other Excise notices which refer to rebated fuel will also be updated to the same timetable to reflect new rules.