

# **Use of red diesel and other rebated fuels**

## **Guidance on changes to entitlement from**

### **1 April 2022**

#### **What's changing**

The government has announced that it will remove the entitlement to use red diesel and rebated biodiesel from most sectors from 1 April 2022. From this date, we will move away from the current approach of allowing rebated diesel and biodiesel to be used in any machine that is not a road vehicle, including certain types of vehicles used mainly off-road, to allowing its use in any machine only for a limited number of specific purposes.

Those losing entitlement to use rebated fuel in diesel-powered machines or vehicles will be required to fill up with diesel or biodiesel on which full excise duty has been paid (white diesel). This more fairly reflects the harmful impact of diesel emissions and incentivises users to improve the energy efficiency of their vehicles and machines, invest in cleaner alternatives, or just use less fuel.

Hydrotreated Vegetable Oil (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 excise duty when they are set aside to be used in an engine, motor or machine. On 1 April 2022, they will also become liable to excise duty if used for 'heating', applying the rebated duty rate to non-commercial heating, and the full duty rate to commercial heating.

#### **Check if you can fill up with rebated fuel from 1 April 2022**

Details can be found at Annex A.

#### **Preparing for 1 April 2022 – Fuel users**

It is illegal to put rebated fuel into a vehicle or machine that is not entitled to use it. The scope of entitlement to use rebated fuel is being significantly reduced from 1 April 2022. If you are currently entitled to use rebated fuel but are losing that entitlement, you should plan to use up your stock being held in storage tanks 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 empty your tank and refill with white diesel before putting fuel into your vehicles 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 entitled to use it
- sold or given to any Registered Dealer in Controlled Oil (RDCO), for example returned to your supplier (if they will accept returns)

- disposed of via an approved waste oil recycling or disposal company

If your entitlement to use rebated fuel ends, you may sell or otherwise dispose of the surplus fuel as above without needing to be approved by us as an RDCO, but you should keep a record of how it was disposed of, or who it was sold to.

For those vehicles, vessels, machines and appliances entitled to use rebated fuel up to 1 April 2022 but not after, there will likely be a period of time 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, its rate of fuel consumption and how frequently it's used.

Where you use your vehicle or machine for both entitled and non-entitled purposes after the rules change, you must either flush out the tank to remove all traces of rebated fuel when switching from entitled to non-entitled use, or fuel with white diesel for all of your use.

Our officers may carry out checks on any vehicles or machine using diesel to confirm the correct fuel is being used. If they find fuel with traces of fuel markers in the fuel supply of a vehicle or machine that is not entitled to use it, they will ask you to explain why it is using rebated diesel. If you were entitled to use the fuel before 1 April 2022 but not after that date, you may be asked to provide evidence to satisfy our officers that any rebated fuel in the machine was put in before the rules changed and is still being used up.

You will also need to show that you have been refilling with the correct fuel since the rules changed (by showing receipts for purchase of white diesel, for instance).

You may put rebated fuel in a back-up electricity generator after the rules change as long as you are able to satisfy our officers that the fuel was purchased when the generator was entitled to use it, and you had no reason to believe, at that time, 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 announced.

Our officers will take a pragmatic approach to enforcement, taking into account the steps you have taken to switch to using white diesel. If they 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 sanctions set out in [Section 6 of Excise Notice 75: Fuels for use in vehicles](#)

## **Preparing for 1 April 2022 – Registered Dealers in Controlled Oils (RDCO)**

It is illegal to put rebated diesel into a vehicle, vessel, machine or appliance that is not entitled to use it.

Although the scope of entitlement to use rebated fuel is being significantly restricted from 1 April 2022, your responsibility as an RDCOs is not changing. You'll still need to take all necessary precautions to ensure that you supply rebated fuel only to people who will use it as permitted, so you should ensure you and your staff understand the changes and which users will be affected by them. This responsibility includes taking care not to supply more fuel than a customer losing their entitlement may realistically use before the rules change.

Users losing their entitlement will be expected to plan to deplete their stocks of rebated fuel in the run up to the changes and not put any more into their vehicles or machine after the rules change. It is therefore

important that you ensure your customers understand the changes to the rules and help them to prepare for them by discussing their needs between now and 1 April 2022, and only supply volumes you consider the customer may reasonably use up before that date. This will help your customers to manage down their supplies so they are not left with surplus rebated fuel in their storage tanks on 1 April 2022.

You should not agree to supply more fuel than a customer can realistically use before the rule changes take effect. Where a customer who will no longer be entitled 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 our guidance on "[Preparing for 1 April 2022 – Fuel Users](#)".

We will consider you have not met your obligations as an RDCO if you supply fuel before 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 'white' diesel, you may need to reassign your storage tanks. If you do, they will need to be flushed out to remove all traces of red diesel. You should keep a record of this being done and keep receipts/invoices if you employ someone to do it. Given that there may be increased demand for their services in the run up to April 2022 you may need to organise 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.

## **Filling up a 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 is legal in some of the machines or vehicles that will no longer be entitled 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 still allowed, you may use up that fuel in the UK, but you're advised to keep receipts or other documents to satisfy our officers that you have not filled up your vehicle or machine unlawfully in the UK.

# Annex A: Check if you can fill up with rebated fuel from 1 April 2022

You can fill up with rebated fuel from 1 April 2022 only if the fuel is to be used after that date in certain machines, vehicles or vessels for “allowed uses”.

## Allowed machines/uses:

### Agriculture, horticulture, fish farming and forestry

An [agricultural vehicle](#), [special vehicle](#), [unlicensed vehicle](#), machine or appliance used for accepted purposes within these sectors may use rebated fuel. Such purposes are explained within the Memorandum of Agreement at [Section 9 of Excise Notice 75: Fuels for use in vehicles](#).

Agricultural vehicles may also use rebated fuel when cutting verges and hedges that border the road, snow clearance, gritting, and assisting any clear-up following flooding.

With the exception of unlicensed vehicles, which includes vehicles registered with a statutory off-road notification (SORN), use in the previous two paragraphs 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 may use rebated fuel while they're being used for any other purpose on land where they are kept and used for accepted purposes in agriculture, horticulture, fish farming or forestry.

### Rail transport

Rebated fuel may be used to propel 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.

### Heating of non-commercial premises

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

### Power generation for non-commercial premises

Rebated fuel may be used for power generation for homes and other non-commercial premises, for example, those not connected to the electricity grid and those that use back-up generators to ensure continuous power supply.

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

Agricultural vehicles and unlicensed vehicles kept and used on land maintained by [a CASC](#) or on a golf course or golf driving range may use rebated fuel.

Special vehicles, such as diggers and cranes, and mowing machines may also use rebated fuel while working on these grounds. This does not include travelling to and from the site, so the special vehicles must either be kept on the site or transported to and from where they are used.

Where the land or golf course is either side of a public road, a vehicle may use rebated fuel while travelling between the two parts by the shortest possible route, providing it is licensed to use the road.

Any machines (other than vehicles) may use rebated fuel while being used at these clubs or courses, including for heating and lighting of buildings such as clubhouses and changing rooms.

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

All types of boat may use rebated fuel in their engines and other machines except for private pleasure craft in Northern Ireland.

From 1 October 2021, you may not put rebated fuel into the fuel supply of an engine that propels 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](#).

## Travelling fairs and circuses

The machines and appliances associated with a fair or circus may use rebated fuel, 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.

## Definitions:

### Agricultural vehicles

An agricultural vehicle is either:

- 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

## Community amateur sports clubs (CASC)

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](#).

## Private pleasure craft

A private pleasure craft is defined in section 9 of [Excise Notice 554](#): *Fuel used in private pleasure craft and for private pleasure flying*.

## Rebated fuels

Some oils and fuels are taxed at a lower (rebated) rate because they are used for specific purposes. The rebated fuels affected by these changes are rebated (red) diesel, rebated HVO, rebated biodiesel and bioblend, and fuel substitutes.

## Special vehicles

A special vehicle is 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.

## Unlicensed vehicles

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.