

Climate Change Levy Exemption: Recycling Processes

Who is likely to be affected?

Suppliers of taxable commodities liable to account for the climate change levy (CCL) and recyclers of aluminium and steel that currently claim exemption from the levy.

General description of the measure

Legislation will be introduced in Finance Bill 2011 to give HM Treasury the power to suspend the CCL exemption for recycling processes for aluminium and steel by Order from 1 April 2011 if State aid re-approval has not been obtained by then. The power will also enable HM Treasury to re-instate the exemption using secondary legislation if re-approval is received (with retrospective effect, if the terms of the approval permit).

Policy objective

The current State aid approval for the CCL exemption for taxable commodities used in the recycling of aluminium and steel expires on 31 March 2011. Suspending the exemption whilst re-approval is being sought ensures that beneficiaries of the exemption are not put at risk of having to repay illegal aid and the UK continues to comply with its general State aid obligations.

Background to the measure

- The exemption from the CCL for taxable commodities used in the recycling of aluminium and steel is an approved State aid. The current approval is due to expire on 31 March 2011.
- The Government is in dialogue with the European Commission to obtain a further period of re-approval but the Commission has not yet made its final decision.

Detailed proposal

Operative date

The exemption will be suspended from 1 April 2011, if State aid approval has not been obtained by then.

Current law

Paragraph 18A of Schedule 6 to the Finance Act 2000 provides for an exemption for supplies of taxable commodities used in metal recycling processes. Regulation 4 of and Schedule 2 to the Climate Change Levy (Fuel Use and Recycling Processes) Regulations 2005 prescribe the metal recycling processes to which the exemption applies.

Proposed revisions

The Finance Bill will give HM Treasury the power to suspend paragraph 18A from 1 April 2011 as it applies to the recycling of aluminium and steel if State aid re-approval has not been obtained by then. If approval is received for one of the metals but a decision is outstanding on the other, the Treasury will be able to limit the suspension accordingly.

The primary legislation will also enable HM Treasury to re-instate the exemption using secondary legislation once re-approval is received (with retrospective effect, if the terms of the approval permit).

Summary of impacts

Exchequer impact (£m)	2011-12	2012-13	2013-14	2014-15	2015-16
	nil	nil	nil	nil	nil
Economic impact	Suspending the exemption is not expected to have significant economic impact.				
Impact on individuals and households	The exemption is available for certain metal recycling processes. These are industrial processes. Suspending the exemption for steel and aluminium recyclers will have no impact on individuals and households.				
Equalities impact	Suspending the exemption is likely to affect fewer than 30 recycling businesses. The change will have no impact on individuals and we do not anticipate they will affect any equality group.				
Impact on businesses and third sector	The UK is still seeking re-approval of the exemption for aluminium and steel. If the re-approval permits retrospective reinstatement of the exemption, recyclers may experience a temporary cash flow disadvantage but would be able to immediately recover the levy that they paid during the period of suspension if the terms of the approval permit. Recyclers affected by the suspension may need to provide new relief certificates to their energy suppliers and later recover any CCL incurred from HM Revenue & Customs (HMRC), giving rise to small one-off costs. In all cases the costs are negligible.				
Operational impact (£m) (HMRC or other)	HMRC will incur some negligible one-off costs.				
Other impacts	This is only a very small tax change and will not have an impact on consumer prices etc. The impact on businesses with fewer than 20 employees will be negligible as all of these businesses have been operating for many years. They are familiar with the procedures and will have the capability to deal with any of the administrative issues that may arise. There are no issues surrounding sustainability or any impact on rural areas as suspension of the exemption will not result in any increased business activity.				

Monitoring and evaluation

The changes will be monitored and reviewed as part of HMRC's normal assurance process.

Further advice

If you have any questions about this change, please contact the Excise and Customs Helpline on 0845 010 9000.