

2006 Pre-Budget Report



PBRN 21

6 December 2006

FACILITATING THE USE OF BIOFUELS

Who is likely to be affected?

1. Businesses producing and using biodiesel.

General description of the measure

2. The current duty rate for mixes of biodiesel with rebated gas oil will be reduced from 54.68 pence per litre (ppl) to 7.69ppl where it is used in specific pilot projects to test the use of biofuels off-road – for example, in railway engines. Eligible pilot projects that offer potential environmental benefits will be approved individually by HMRC, subject to appropriate anti-fraud safeguards.
3. The definition of biodiesel in the Hydrocarbon Oil Duties Act 1979 will be amended to include a new second generation biodiesel, produced by the hydrogenation of biomass, that offers potential environmental benefits comparable to those offered by conventional biodiesel.
4. The duty incentive for biodiesel of 20ppl will be available for a limited pilot scheme early in 2007 to test the use of biomass in conventional fuel production.

Operative date

5. For mixes of biodiesel with rebated gas oil, a statutory instrument will be laid before Parliament shortly, and will come into effect 21 days after being laid.
6. The definition of biodiesel will be amended early in 2007 by Treasury Order. The Order will be subject to the affirmative procedure. Any consequential amendments to primary legislation will be made in Finance Bill 2007.
7. For testing the use of biomass in conventional fuel production, a statutory instrument will be laid before Parliament shortly, and will come into effect 21 days after being laid.

Current law and proposed revisions

8. Statutory instruments will be made under the relevant sections of the Hydrocarbon Oil Duties Act 1979 (HODA). The definition of biodiesel in section 2AA of HODA will also be amended.

Further advice

9. If you have any questions about these changes, please contact the National Advice Service on 0845 010 9000. Information about Pre-Budget Report measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk