

**EXPLANATORY MEMORANDUM TO  
THE VALUE ADDED TAX (REDUCED RATE) (SUPPLIES OF DOMESTIC FUEL OR  
POWER) ORDER 2008**

**2008 No. 2676**

**1.** This explanatory memorandum has been prepared by HM Revenue and Customs on behalf of HM Treasury and is laid before the House of Commons by Command of Her Majesty.

**2. Description**

This instrument amends Group 1 of Schedule 7A to the Value Added Tax Act 1994 (c. 23) (“VATA”) to maintain the reduced rate of VAT in relation to supplies of kerosene used as fuel for private pleasure-flying and supplies of fuel oil, gas oil or kerosene used as fuel for propelling private pleasure craft, notwithstanding that from 1 November 2008 those supplies will cease to attract relief from, or rebate of, excise duty.

**3. Matters of special interest to the Select Committee on Statutory Instruments**

None

**4. Legislative Background**

4.1 This instrument applies the reduced rate of VAT to supplies of kerosene (avtur) used as fuel for private pleasure-flying and to supplies of fuel oil, gas oil (red diesel) or kerosene used as fuel for propelling private pleasure craft with effect from 1 November 2008.

4.2 Under item 1(d) of Group 1 of Schedule 7A to VATA, the reduced rate of VAT applies to supplies, for domestic use or charity non-business use, of fuel oil, gas oil and kerosene, provided that the fuel benefits from a rebated rate of excise duty. Supplies of not more than 2,300 litres are deemed to be for domestic use as a business simplification measure.

4.3 Because kerosene used as fuel for private pleasure-flying and fuel oil, gas oil and kerosene used as fuel for propelling private pleasure craft are, from 1 November 2008, liable to the full rate of excise duty, legislation is necessary to enable the continued application of the reduced rate of VAT.

4.4 This instrument means that from 1 November 2008 kerosene used as fuel for private pleasure-flying and fuel oil, gas oil or kerosene used as fuel for propelling private pleasure craft will not need to attract a rebated excise duty rate to benefit from the reduced VAT rate.

**5. Territorial Extent and Application**

This instrument applies to all of the United Kingdom.

## **6. European Convention on Human Rights**

The Financial Secretary to the Treasury, Rt. Hon Jane Kennedy MP, has made the following statement regarding human rights:

In my view the provisions of the Value Added Tax (Reduced Rate) (Supplies of Domestic Fuel or Power) Order 2008 are compatible with the Convention rights.

## **7. Policy background**

7.1 See section 4.

7.2 This instrument ensures that the scope of the reduced VAT rate is maintained despite the withdrawal of excise duty relief for these supplies on 31 October 2008. Excise duty relief is a criterion for the reduced VAT rate. Its withdrawal results from the termination of a time-limited EU derogation. As that derogation only applied to excise duty, it has no bearing on UK VAT legislation. Amending VATA means that these supplies will not be subject to a double tax increase.

## **8. Impact**

A full and final Impact Assessment has not been prepared for this instrument as it has no impact on the private or voluntary sectors.

## **9. Contact**

Bob Morrison at HM Revenue and Customs Tel: 020 7147 0568 or e-mail:  
Bob.Morrison@hmrc.gsi.gov.uk can answer any queries regarding the instrument.