



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

James Murray MP
House of Commons
London
SW1A 0AA

12 June 2023

Dear James,

I am writing following the session of the Public Bill Committee for the Finance Bill of 18th May, with regard to: Clause 318 of the Bill, about fuel duties on excepted machines; the new reformed HGV levy (clause 324 and schedule 22); and the Landfill Tax gap.

As you observed, Clause 318 makes corrections for unintended consequences of the reforms to the rebated fuels entitlement that took effect on 1 April 2022. These include allowing charities operating lifeboats to use rebated fuels in the tractors and gear which are used at a small number of lifeboat stations to launch the boats and haul them from the water after use. You enquired as to whether these charities had been inconvenienced by these inadvertent consequences of the 2022 reforms and, if so, whether redress will be provided.

Following the changes to the rebated fuels entitlement in April 2022, charities operating lifeboats had to use fully duty paid ('white') diesel for their diesel-powered tractors and launch gear, but could continue to use rebated ('red') diesel for propelling their lifeboats and for heating. However, the Royal National Lifeboat Institution (RNLI) have been entitled for over 40 years to repayment of all duty paid on the fuel used in their tractors, launch gear and lifeboats, whether they use red or white diesel. Allowing the use of red diesel for tractors and launch means that the RNLI will only have to store one type of fuel, enabling them to claim repayment of duty for just one type of fuel. This amendment therefore minimises their administrative burden, without changing the amount of fuel duty that they ultimately pay.

After the reforms to the rebated fuels entitlement took effect in April 2022, the RNLI raised this issue with HM Treasury. Following the then-Exchequer Secretary's consent to make the necessary change to the rebated fuels entitlement in the next Finance Bill, the Commissioners of HM Revenue and Customs used their powers of discretion to allow the RNLI to continue to use red diesel in its tractors and launch gear until the law for the rebated fuels entitlement could be amended. Their decision minimised the inconvenience of the unintended consequences of the 2022 changes for the RNLI.

This decision did not extend to independent lifeboat operators, which do not share the RNLI's entitlement to have Fuel Duty reimbursed. I can confirm that no independent charities operating lifeboats contacted HM Treasury or HM Revenue and Customs in connection with the post-April 2022 requirement to use full duty diesel. The RNLI operate around 240 lifeboat services in the UK and independents operate an estimated 60 services. The vast majority of the latter operate on inland waterways using small boats, and so probably have less need of special equipment to launch their boats. Given these

circumstances, the Government is not aware that any lifeboat provider has been affected by the inadvertent requirement that charities operating lifeboats use white diesel for their tractors and launch gear. However, we continue to remain open to engagement with all lifeboat operators about this issue.

On the HGV levy, you asked about the international obligations to which I referred. The international obligations include the requirement to not discriminate between domestic and non-domestic operators, for example under the Trade and Cooperation Agreement.

Following the introduction of the new reformed levy from August 2023, non-domestic vehicles will only have to pay the levy when using major roads, given that such vehicles principally use such roads. UK vehicles will continue to pay the levy when using any UK road, since UK vehicles tend to use a wider network of roads than non-domestic vehicles. These changes were consulted upon last year, and the Government's response was published at Spring Budget 2023.

The Government considers that the levy has always complied with the necessary international laws. These changes make this clearer by emphasising the link between the payment and the use of the vehicle.

On the Landfill Tax gap, HM Revenue and Customs (HMRC) is committed to driving down Landfill Tax evasion, working closely with other departments and agencies. HMRC is also an active member of the Joint Unit for Waste Crime and recently embedded officers in the Environment Agency to improve knowledge and data sharing. Since 2021, HMRC has secured £110 million of additional tax revenue, and in 2023, HMRC will be deploying around 10% more resources in comparison with 2022 to increase the number of civil investigations of Landfill Tax non-compliance.

As part of the current Landfill Tax Review the Government is also considering changes to the design of the tax to support environmental goals and improve its administration. This includes how these changes would interact with upcoming environmental regulatory reforms designed to increase compliance.

I hope that this information is helpful. I am copying this letter to the Chairs and other members of the Public Bill Committee and a copy of this letter will be deposited in the Libraries of the House.

Yours sincerely,

A handwritten signature in black ink, reading "Gareth Davies". The signature is written in a cursive style with a large initial 'G'.

Gareth Davies MP
EXCHEQUER SECRETARY TO THE TREASURY