

UK Rural Fuel Duty Relief

Overview

The UK Rural Fuel Duty Relief provides support for motorists by compensating fuel retailers in specific rural areas with high road fuel prices.

The rebate provides a 5 pence per litre (ppl) reduction to fuel retailers in the specified rural areas on the standard UK rate of Excise Duty for unleaded petrol and for diesel sold for use in road vehicles. The reduction in fuel duty helps drivers in these remote areas where the cost of petrol and diesel is often higher.

Geographical coverage of relief

This UK wide scheme covers retailers of unleaded petrol and diesel sold as road fuel within the areas of the Inner and Outer Hebrides, the Northern Isles, the Islands in the Clyde, the Isles of Scilly, the post town of Hawes (North Yorkshire) and the following post code districts in England: EX35, LA17, NE48 and the following postcodes in Scotland: IV14, IV21, IV22, IV26, IV27, IV54, KW12, PA38, PA80, PH19, PH23, PH36, PH41.

These areas were chosen because their pump prices were significantly higher than the UK average. The remoteness of those areas leads to high fuel transportation costs from refinery to filling station. Also, relatively low sales means that these fuel retailers cannot benefit from bulk discounts on their fuel purchases.

Interaction with State Aid

The reduced rates comply with the Council Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity. Para (24) "*Member States should be permitted to apply certain other exemptions or reduced levels of taxation, where that will not be detrimental to the proper functioning of the internal market and will not result in distortions of competition.*"

Differences with Air Departure Tax

- Specific provision exists (Directive 2003/96/EC) to provide a reduction in fuel tax where there is no detriment to the market.
- Fuel Duty Relief allows for a reduction in tax and price per litre which brings costs in line with the average price in the UK (no advantage).
- Provision is specific to fuel duty and therefore not relevant to air transport tax.
- Inverness is not included as one of the areas covered by the scheme.
- UKG produced a post implementation evaluation on the impact of Rural Fuel Duty Relief to demonstrate no on-going impact on competition.
- GBER Article 51 "*Social aid for transport for residents of remote regions*" allows 100% reduction in taxes applied to transport costs for residents of remote regions. (*Equivalent provision to fuel duty scheme for transport taxes.*)