



Outcome of Consultation on reforms to the tax treatment of red diesel and other rebated fuels FAQs

Latest update: 24th May 2021

The RYANI has produced the following FAQ document based on our understanding of the information provided in the Consultation Summary document and discussions with representatives from HMRC and HM Treasury.

This is RYANI's interpretation of the HM Treasury's position with regards to these changes for Northern Ireland, based on the information available to date and we encourage members to check the consultation document in full.

Any further questions should be sent to ryani@rya.org.uk or enquiries@rya.org.uk

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Background

On 3rd March 2021, HM Treasury published its summary response to the red diesel consultation. Ultimately, the purpose of moving away from red diesel is to help the government meet its long-term environmental objectives.

What is the situation in Northern Ireland?

According to HM Treasury: "in Northern Ireland, private pleasure craft users will no longer be able to use red diesel for propelling their craft. This will achieve consistency with the 2018 judgment by the Court of Justice of the European Union (CJEU) and ensure the UK meets its international obligations under the Northern Ireland Protocol of the Withdrawal Agreement."

It also outlines that this should simplify the issue when travelling between NI and the Republic of Ireland, however RYANI believe this has not adequately considered those who will travel to GB.

When is this due to take effect from?

HM Treasury initially indicated that the change will come into place no later than June this year (2021). Correspondence received on 22nd May confirmed that the UK Government had taken into account concerns raised and that the prohibition date would take effect from 1 October 2021. This would allow time for suppliers to have waterside infrastructure installed/ switched and would have a reduced impact compared to the height of the summer season.

What is RYA/RYANI standpoint?

RYANI welcomes that there will be a new duty relief scheme in place to help avoid disproportionately penalising NI boaters and details of this scheme are to follow. We also welcome a number of clarifications from HMRC on the changes that are addressed in this FAQ document.

Summary:

- The government are legally committed to this as a result of the Article 8 of the Northern Ireland Protocol which covers EU excise directives
- The decision relates to the sale of diesel in N.I where only white will be allowed for the purposes of propulsion of pleasure craft (it does not relate to the registration of the vessel)
- HMRC initially intended to implement this from June this year (2021). RYANI welcomes that the UK Government has agreed to postpone this date, recognising the adverse impact the original date would have on boaters in Northern Ireland.
- The availability of white diesel at waterside remains of concern with fuel suppliers having to take commercial decisions about the cost of infrastructure changes to be able to supply white.
- Red diesel already in boat tanks at the time of prohibition will be able to be used without penalty.
- Recreational craft from NI visiting GB in the future will be able to purchase red diesel under the terms of the Istanbul Convention which will allow fuel legitimately purchased in GB to be taken back to NI in the main fuel tanks of a boat.
- Some local marinas etc have indicated their intention to provide white diesel.

I have a boat that currently has red diesel in its tanks, do I need to dispose of this?

No, you will not need to dispose of this. The HM Treasury document outlines the following with regards to any changes.

“The government has also decided to stick with its proposal that end users will not be mandated to flush out the tanks of their vehicles or machinery as this can be expensive and this approach also avoids damage to the environment that could arise from the unsupervised and unsafe disposal of red diesel.”

In meeting with HMRC and HM Treasury representatives, this has been confirmed to be the case and more detailed guidance will be issued.

Will guidance be made available?

HMRC has outlined detailed guidance will be issued in July 2021 and indicates that end users should keep receipts as evidence of red diesel purchased before and white diesel purchased after any changeover date.

How will this be enforced?

The document outlines in its enforcement activities, HMRC officers will consider the type of machinery and the frequency of use in deciding whether “detected traces are at a level consistent with compliance with the new rules”.

I have 2 fuel tanks, can I continue to use red diesel for heating etc?

Yes, HMRC states: “Private pleasure craft in Northern Ireland will remain entitled to use red diesel for non-propulsion uses, such as for heating, and lighting and powering appliances such as fridges via a battery charged by an engine that uses red diesel (provided they have a separate fuel tank for this purpose). If they have only one fuel tank on board their craft, they will need to use white diesel.”

Will we have to pay higher rates for non-propulsion use?

HM Treasury has indicated that for those with one tank, the intention will be to introduce a new relief scheme in Northern Ireland, effective from the date that users become obliged to use white diesel. This is intended to avoid a higher rate of duty non-propulsion (40%) use of diesel than what would otherwise have to be paid.

It will allow fuel suppliers to private pleasure craft in Northern Ireland who are registered for this scheme with HMRC to claim from HMRC relief (the difference in duty between the full duty paid on the white diesel they have supplied and the lower, rebated rate for red diesel) on 40% of the white diesel they supply to private pleasure craft (40% being typical of such craft’s non-propulsion use). They can do this if they had passed on the saving at the point of sale of white diesel.

What if an NI boat visits e.g. Scottish Marinas and can only purchase red diesel?

According to HMRC officials the *Istanbul Convention* will apply to NI boats returning to Northern Ireland from e.g. Scotland. This would therefore permit red diesel to be purchased in GB where full evidence of this purchase is retained upon return to NI.

What does it mean for GB boats visiting Northern Ireland with red diesel in their tanks?

According to HMRC officials the *Istanbul Convention* will apply to any boats entering Northern Ireland. This would therefore permit red diesel to be in their tanks, however, only white diesel can then be purchased in NI.

Where can I read further information?

- The summary of responses and outcome can be found at:
<https://www.gov.uk/government/consultations/consultation-on-reforms-to-the-tax-treatment-of-red-diesel-and-other-rebated-fuels>
- [Excise Notice 554: fuel used in private pleasure craft and for private pleasure flying](#)
- Further details on red diesel can be found through the RYANI [Representation](#) pages.