

Guidance

Changes to rebated fuels entitlement from 1 April 2022

Find out how to prepare for changes that will restrict the use of rebated diesel and biofuels from 1 April 2022.

From: [HM Revenue & Customs](#)

Published 11 November 2021

Check when rebated fuel can be used

From 1 April 2022, rebated diesel (known as red diesel) and rebated biofuels will no longer be allowed to be used as they are currently.

You will only be able to use rebated fuel for specific purposes, when using certain:

- machines
- vehicles
- vessels
- appliances

If you will no longer be able to use rebated fuel, you'll need to use diesel or biofuel which the full rate of fuel duty has been paid for.

The rebated fuels affected by these changes are:

- rebated diesel
- rebated Hydrotreated Vegetable Oil (HVO)
- rebated biodiesel and bioblend
- fuel substitutes

HVO is a liquid hydrocarbon which is classified for excise purposes as heavy oil and treated the same as diesel.

Biodiesel, bioblend and fuel substitutes are already subject to fuel duty when they're set aside to be used in any of the following:

- engines
- motors
- machines

They will also be liable for fuel duty if they're used for heating purposes. The rebated rate of fuel duty will apply when they are used for non-commercial heating.

The full rate of fuel duty will apply when they are used for commercial heating.

When can rebated fuel be used from 1 April 2022

Agriculture, horticulture, fish farming and forestry sectors

You will be able to use rebated fuel in vehicles and machines used for [accepted purposes](#) if you're in any of the following sectors:

- agriculture
- horticulture
- fish farming
- forestry

Rebated fuel can be used for accepted purposes in:

- agricultural vehicles
- special vehicles
- unlicensed vehicles
- certain machines and appliances

You can also use rebated fuel in agricultural vehicles when:

- cutting verges and hedges that border a road
- clearing snow
- gritting
- assisting any clear-up following flooding

You can use rebated fuel to travel to and from the place where the vehicle is used, except on roads in unlicensed vehicles.

If a vehicle or machine allowed to use rebated fuel is transported by another vehicle, you can only use rebated fuel in the vehicle carrying or towing it if it also qualifies in its own right.

If you use rebated fuel in agricultural vehicles, machines and appliances you will also be able to use them for any other purpose on private land where they are ordinarily kept, if they are used for purposes relating to:

- agriculture
- horticulture
- fish farming
- forestry

Vehicles used on railways

You can use rebated fuel to propel and stop a vehicle designed to run on a railway, but not on a tramway.

You cannot use rebated fuel to power other machines or equipment used on a railway, such as cooling or heating units in railway freight wagons, unless they are also powered by the engine that propels the vehicle.

Non-commercial electricity generation and heating

You can use rebated fuel for electricity generation and to heat premises that are not used for commercial purposes.

Non-commercial purposes include providing a public service that does not charge a fee and charitable fundraising.

You cannot use rebated fuel if the premises are being used for the purpose of making a profit. For example, a school or hospital that charges fees, as the premises would be used for commercial purposes.

You can use rebated fuel for electricity generation for homes and other premises being used for non-commercial purposes, including those that use back-up generators to make sure they have a continuous electricity supply.

You can use rebated fuel for heating premises being used for non-commercial purposes.

Examples include:

- domestic homes
- places of worship
- NHS hospitals
- [state schools](#)
- townhalls

You can still use rebated fuel for electricity generation, and to heat the premises you use for non-commercial purposes if commercial contractors work there.

For example, commercial contractors who contribute to running of your non-commercial operation, including school caterers and cleaners.

Community amateur sports clubs (CASCs) and golf courses

A CASC means a club which is registered as a [community amateur sports club](#).

You can use rebated fuel in agricultural vehicles and unlicensed vehicles kept and used on:

- land maintained by a CASC
- a golf course
- a golf driving range

You can also use rebated fuel in any machines or appliances (other than vehicles) being used in these venues. This includes heating and lighting buildings, such as clubhouses and changing rooms.

When you're working on these grounds, you can use rebated fuel in special vehicles, such as:

- diggers
- cranes
- mowing machines

You can also use rebated fuel in special vehicles when the vehicle is going to or from a golf course or land maintained by a CASC, where the vehicle is used.

Where the land or golf course is either side of a public road, you can use rebated fuel in an agricultural or special vehicle while travelling between the 2 parts by the shortest possible route, providing the vehicle is licensed to use the road.

Sailing, boating and marine transport

You can use rebated fuel in all types of boat, except for private pleasure craft in Northern Ireland. This includes in their engines and in other machines and appliances permanently on the boat.

Since 1 October 2021, you cannot put rebated fuel into the fuel supply of the engine of a private pleasure craft in Northern Ireland.

If you buy rebated fuel for private pleasure craft in Great Britain, you will be required to pay the additional duty on the proportion of the fuel you will use to propel the craft.

Find more information about [fuel used in private pleasure craft and the changes in Northern Ireland](#).

Travelling fairs and circuses

A travelling fair or travelling circus is one that can be dismantled at least once per year and can be transported from place to place.

You can use rebated fuel in machines and appliances to:

- power rides
- provide electricity and heating for caravan accommodation

You can use rebated fuel in a mowing machine or unlicensed vehicle.

What vehicle (including any machines or appliances) can use rebated fuel for accepted uses

Agricultural vehicles

An agricultural vehicle is a:

- tractor
- single seat, light vehicle (less than 1,000 kilograms), designed and constructed mainly for off-road use
- vehicle licensed only for use between different parts of land for purposes relating to:
 - agriculture
 - horticulture
 - forestry
- vehicle constructed and adapted, with built-in or permanently attached handling and processing equipment, to be used for purposes relating to agriculture, horticulture, fish farming or forestry

Special vehicles

A special vehicle is a vehicle designed, constructed and used as set out in [Part 4 of Schedule 1 to the Vehicle Excise and Registration Act 1994](#), but without any weight restriction.

Special vehicles include:

- digging machines
- mobile cranes
- mobile pumping vehicles
- work trucks
- road rollers

Other machines, appliances and unlicensed vehicles

Other machines, appliances and unlicensed vehicles include:

- vehicles or machines designed only for mowing grass
- machines or appliances that are not a vehicle or vessel
- non-road mobile machinery
- vehicles not kept or used on public roads, which you have made a Statutory Off Road Notification (SORN), if required, to the Driver and Vehicle Licensing Agency

How to prepare for the changes to rebated fuel if you're a fuel user

From 1 April 2022 you must not put rebated fuel into the tank of a [vehicle, vessel, machine or appliance that is not allowed to use it](#).

If you're no longer able to use rebated fuel, you should plan to run down the fuel you have to as close to nil as reasonably practicable before 1 April 2022.

You may only use up rebated fuel after 1 April 2022, if the fuel was legally put into your vehicle or machine before 1 April 2022.

1. Rebated fuel in storage tanks

If you're no longer going to be allowed to use rebated fuel from 1 April 2022 as a result of these changes, you should plan to use up stocks of fuel held in storage tanks by this date.

You will not be expected to flush out rebated fuel from your storage tanks.

You may need to check how much rebated fuel you use, to determine how much you are likely to need until 31 March 2022, and plan how to manage any surplus stock.

If you order supplies of rebated fuel between now and 1 April 2022, you should only order the amount you expect to use by that date.

You should use diesel or biofuels which have had full duty paid when putting fuel into your vehicle or machine after the rules change on 1 April 2022.

Find more information about rebated fuel held in storage tanks and used for [contingency back-up electricity generation and critical safety or environmental protection equipment used in commercial premises](#).

If you have any surplus rebated fuel in your storage tanks after 31 March 2022, you will need to:

- sell or give it to someone who is allowed to use it
- sell or give it to any Registered Dealer in Controlled Oil (RDCO)
- dispose of it via an approved waste oil recycling or disposal company

You will need to keep records to show how and when the fuel was disposed of or sold.

You can sell or dispose of the surplus fuel without needing to be approved by HMRC as an RDCO.

You should make sure that you dispose of surplus rebated fuel correctly and safely through an approved waste oil recycling or disposal company.

If you have a large volume of rebated diesel already in reserve and are concerned that you will not be able to use or dispose of it before 1 April 2022, you should contact oils.policymail@hmrc.gov.uk, ideally by 14 January 2022.

2. Vehicles used for both allowed and non-allowed purposes

If you use a vehicle (including any machines or appliances) which is used for both allowed and non-allowed purposes after the rules change, you will need to either:

- flush out the tank to remove all traces of rebated fuel when switching uses
- use full duty paid diesel or biofuels

3. Back-up electricity generation and environmental protection equipment

You can only use rebated fuel for power generation in premises being used for non-commercial purposes.

You can use up your stock of rebated fuel after the rules change if you obtained and stored the fuel on or before 10 June 2021. The fuel can be used for any of the following uses:

- contingency back-up electricity generation in premises used for commercial purposes
- critical safety and environmental protection appliances in premises used for commercial purposes

If you have stocks of rebated fuel held to be used as contingency back-up which were obtained after 10 June 2021, or you cannot change from using rebated fuel for technical or safety reasons, you may be granted a licence by HMRC to continue using rebated fuel.

You would need to apply to HMRC and, if we approve the licence, you will need to pay the difference in duty between the rebated and non-rebated fuels on the fuel.

If you are concerned that you will not be able to use or dispose of fuel you got after 10 June 2021 by 1 April 2022, you should contact oils.policymail@hmrc.gov.uk, ideally by 14 January 2022.

You will not be expected to flush out the traces of rebated fuel from the fuel tanks of:

- back-up generators
- critical safety and environmental appliances
- storage tanks used to supply them

3.1 Contingency back-up electricity generation

Contingency back-up electricity generation means using back-up generators when necessary to make sure there is continuity of power. This does not include generators used as the main source of everyday electricity.

It can also be commercial electricity generators, such as, those activated to manage pressures to the national grid and where a volume of back-up fuel is required to be held in reserve for security and regulatory purposes to maintain essential electricity supply.

Critical safety and environmental appliances include:

- fire protection systems
- medical and life support equipment
- auxiliary boilers which are designed to provide safety and environmental protection

4. Refilling the tank of a vehicle (including machines or appliances) with marked fuel outside the UK

In some jurisdictions or countries, using marked fuel will still be legal in some of the vehicles (including machines and appliances) that will no longer be allowed to use rebated fuel in the UK from 1 April 2022.

Examples of these jurisdictions or countries include:

- the Channel Islands
- other European countries

If you refuel and use your vehicle (including machines or appliances) in a jurisdiction or country where using marked fuel in that vehicle is allowed, you can use up the remaining fuel in the machine when you return to the UK.

You will need to retain receipts or other documents to show that you have not refilled your vehicle (including machines or appliances) unlawfully in the UK. You will not need to flush the tank of your vehicle on your return to the UK.

The same changes to rebated diesel and biofuels being made in the UK will also be applied in the Isle of Man from 1 April 2022.

5. What record you need to keep

In vehicles (including machines and appliances) which are not allowed to use rebated fuel from 1 April 2022, it is likely there will be a period between the rules changing and the rebated fuel in the internal tank or engine being used up.

How long this will take will depend on the:

- type of vehicle or machine
- size of its fuel tank
- rate of fuel consumption

HMRC acknowledge that due to the requirement to maintain minimum fuel stock levels for safety reasons and operational requirements, fuel which has had full duty paid may be put into and mixed with existing stocks of rebated fuel in the tank. This may mean there may be a red indicator in the tank beyond 1 April 2022.

We may carry out checks to confirm the correct fuel is being used in:

- storage tanks
- vehicles
- machines
- appliances

If after 1 April 2022, we find traces of fuel markers in the fuel supply of a vehicle or machine which is not allowed to use it, you may be asked to provide evidence to show that any rebated fuel was put in before the rules changed and is still being used up.

You should be able to show that you have been refilling with the correct fuel since the rules changed by keeping invoices or receipts showing that you've purchased diesel or biofuels which have had full duty paid.

If you use a vehicle or machine for both allowed and non-allowed purposes after the rules change, you must keep records which demonstrate that you have flushed the tank or the fuel being used has had full duty paid.

For example, if you hire a vehicle or machine which will be allowed to use rebated fuel for specific purposes, you will need to keep evidence to confirm the correct fuel has been put into the fuel tank.

HMRC will consider what purpose the vehicle or machine was being used for at the time of inspection and whether this was an allowed purpose.

Vehicles (including machines or appliances) found running on rebated fuel unlawfully will be liable to be seized.

HMRC officers will have the discretion not to seize the vehicle if the user can demonstrate to HMRC, using invoices and receipts, that they did not put rebated fuel into the fuel tanks after the rules changed.

HMRC officers will take a pragmatic approach to enforcement. We'll consider the steps you will take to switch to using diesel or biofuels fuel which has had full duty paid. We'll target

users who deliberately or knowingly use rebated fuel illegally by checking receipts and invoice records.

If we have evidence or reason to believe you have put rebated fuel into your vehicle (including machines or appliances) intentionally or recklessly after the rules changed, you may be subject to the [civil or criminal sanctions](#).

How to prepare for the changes to rebated fuel if you're a registered dealer or producer of biofuels

1. Registered Dealers in Controlled Oil (RDCO)

From 1 April 2022, customers currently eligible to use rebated fuel will need to [check when rebated fuel can be used](#).

Although the use of rebated fuel will be restricted from 1 April 2022, your responsibility as an RDCO is not changing.

You will still need to take all necessary precautions to make sure that you supply rebated fuel only to people who will use it as permitted. You need to look at the changes to check which of your customers will be affected.

You should not supply customers affected by the changes more rebated fuel than they may realistically use before the rules change.

Affected users will need to run down their stocks of rebated fuel in the months leading up to the changes and after the rules change not put any more rebated fuel into their:

- vehicles
- machines
- appliances

You will need to make sure your customers understand the changes to the rules and help them to prepare by discussing their needs between now and 1 April 2022. This will help your customers reduce their supplies so that they are not left with unused rebated fuel in their storage tanks on 1 April 2022.

If a customer who will no longer be allowed to use rebated fuel after 1 April 2022 suggests stockpiling rebated fuel or begins to purchase more fuel than normal, you should discuss this with them and direct them to this guidance.

You will need to be able to demonstrate you have taken reasonable care to supply rebated fuel only to customers still allowed to use it.

If you supply rebated fuel before 1 April 2022, and you know or have reason to believe it will be used for a purpose which is no longer permitted after these changes, you will not have met your obligations as an RDCO.

This includes where, based on normal supply rates, a customer is unlikely to use the volume of fuel they order in the remaining time before 1 April 2022.

Due to the change in demand from rebated fuel to diesel or biofuels which have had full duty paid, you may need to reassign your storage tanks. They will need to be flushed out to remove all traces of fuel markers. You should keep a record of doing this and keep receipts or invoices if you employ someone to do it.

As there may be increased demand for these services in the run up to April 2022, you should consider organising this in advance of April.

If you will no longer be supplying rebated fuel as a result of these changes, you will need to remove your registration from the RDCO scheme.

Find more information about how to [remove your registration](#).

You will also need to tell us how you plan to dispose of any stocks of rebated fuel and keep the relevant records to show how you disposed of it.

2. New biodiesel requirements for producers of biofuels

From 1 April 2022, if you produce 2,500 litres or more of biodiesel as fuel, you will have to mark any biodiesel which you intend to be used for allowed purposes in vehicles or machines and pay the rebated rate of fuel duty.

This includes machines used for heating premises that are used for non-commercial purposes, as heating will be a chargeable use for biodiesel from 1 April 2022.

If you set aside biodiesel for commercial heating, you must pay fuel duty at the full rate for diesel.

From 1 April 2022, if you intend to supply rebated biodiesel, you must be approved to deal in controlled oils.

Find out how to apply to be a [Registered Dealer in Controlled Oil](#).

You must make sure rebated biodiesel contains the chemical marker and dye as required by the [Hydrocarbon Oil \(Marking\) Regulations 2002](#).

These Regulations will be amended from 1 April 2022, so that the same markers used for rebated diesel must also be present in rebated biodiesel.

Only biodiesel which contains the prescribed markers can be used as rebated fuel is allowed:

- vehicles
- vessels
- machines
- appliances

There is already a requirement for rebated bioblend to contain a chemical marker and dye to qualify for a rebate.

After April 2022, use of rebated bioblend will also be restricted to be used in certain:

- vehicles
- vessels
- machines
- appliances