



Reforms to the tax treatment of red diesel and other rebated fuels: consultation

Scottish Land & Estates (SLE) is a membership organisation for owners and managers of land, property and businesses across rural Scotland. While rural businesses operate in a different context to urban businesses, they provide a range of employment opportunities in farming, estate management, tourism and in the provision of housing amongst other things and are a key part of the rural economy. SLE has a Taxation Group which is formed from a number of professional members who closely monitor fiscal policy and application across the UK.

We are simply responding to fully welcome the UK Government announcement at Budget 2020 of its intention not to change the entitlement to use red diesel from April 2022 for the agricultural sector, as well as forestry, horticulture and fish farming.

Question 9 of the consultation asks:

Do you have any comments on the government's intention to maintain the entitlement to use red diesel for agriculture (as well as forestry, horticulture and pisciculture), rail and for non-commercial heating (including domestic heating) from April 2022?

Red diesel is the primary fuel to run most agricultural vehicles and is vital to farm businesses and maintaining food production. The lower fuel duty on red diesel recognises this and, with such uncertainty and rising input costs, it is essential that the red diesel exemption is maintained for agriculture, forestry etc.

It is important that British land managers are not a competitive disadvantage at a time of current uncertainty over future trading with the European post-Brexit, shifts in agricultural policy and support and with the global Covid-19 pandemic. Maintenance of the entitlement is of crucial importance to the sector to ensure a level playing field, not least given similar rebates in the USA, Canada and across most of Europe as the consultation document highlights.

We fully accept the net zero carbon ambition and the desirability of tackling carbon emissions, but while agricultural vehicles have become more efficient, it is extremely challenging for land managers to move away from use of red diesel due to the lack of commercially viable alternative fuels. Presently there is no ability to change power source for instance in the same way one could switch to an electric car. It is also noticeable that air quality tends to be poorer in urban as opposed to rural areas where agricultural vehicles are operating.

European emission standards for engines used in new non-road mobile machinery already has taken a staged approach to reducing emissions from agricultural vehicles, this allied with advances in technology should see a reduction on the emissions

created, by the use of drone & satellite technology to reduce the need for full field scale treatments and applications.

The current entitlement is clear and easily understood and while we are fully understanding of environmental objectives and a diesel-free future, the practical absence of robust alternatives together with the wider uncertainties means that any removal of the rebate for agriculture would have profound implications for costs and for rural business and the rural economy more generally. As asked in question 7c it is clear from the food and drink supply chain that primary producers have no capacity to pass this cost down the chain, and indeed may already have costs passed to them, to remove the rebate would have a huge impact on businesses operating on small margins.

We are pleased the UK Government has recognised the merit of retaining the entitlement and listened to representations made by us and others across the sector.

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