# EXPLANATORY MEMORANDUM TO

# THE EXCISE DUTIES (SURCHARGES OR REBATES) (HYDROCARBON OILS ETC.) (AMENDMENT) ORDER 2026

## 2026 No. 555

## 1. Introduction

1.1 This Explanatory Memorandum has been prepared by His Majesty's Revenue and Customs ("HMRC") on behalf of His Majesty's Treasury and is laid before the House of Commons by Command of His Majesty.

1.2 This memorandum contains information for the Select Committee on Statutory Instruments.

## 2. Declaration

2.1 Dan Tomlinson, Exchequer Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 Rachel Nixon, Director for Indirect Tax at HMRC confirms that this Explanatory Memorandum meets the required standard.

## 3. Contact

3.1 Neil Mills at HMRC can be contacted by email at the following address with any queries regarding the instrument: neil.mills@hmrc.gov.uk. Alternatively, the department can be contacted by telephone: 03000 588066.

## Part One: Explanation, and context, of the Instrument

## 4. Overview of the Instrument

***What does the legislation do?***

4.1 This instrument extends the current 5 pence per litre (ppl) temporary cut in the rates of excise duty on fuel products[1] until 31 December 2026 and further reduces the rebated rate for gas oil, biodiesel and bioblend by 3.7ppl for the period from 15 June 2026 until 31 December 2026. The rate for kerosene used as fuel for an excepted machine (other than an excepted machine for heating) is consequentially temporarily reduced by 3.7ppl. After 31 December 2026, adjustments will be made to reduce the cut to the fuel duty rates with the effect of increasing the rate payable by 3ppl on 1 January 2027 and by 2ppl on 1 March 2027 when this instrument expires at the end of 28 February 2027, returning rates to levels set in the Hydrocarbon Oil Duties Act 1979 ("HODA"). Fuel duty rates for rebated and lower taxed fuels will increase proportionately.

***Where does the legislation extend to, and apply?***

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom (UK).

[1] Unleaded petrol; Light oil other than unleaded petrol; Heavy oil (diesel and kerosene); Aviation gasoline; Biodiesel; Bioblend; Bioethanol; Bioethanol blend; Aqua methanol; Natural road fuel gas including biogas, Other road fuel gas including liquified petroleum gas (LPG); Fuel oil; Marked gas oil (red diesel); Marked kerosene and other heavy oil used for heating; Light oil used as furnace fuel; Marked biodiesel, and substances supplied or used as fuel substitutes or as an additive or extender to fuel.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the UK.

## 5. Policy Context

***What is being done and why?***

5.1 In response to rising fuel prices due to the ongoing conflict in the Middle East, a universal package to support motorists with these additional costs will be introduced. The Chancellor of the Exchequer has decided to extend the temporary reduction in the amount of fuel duty payable, made by the Excise Duties (Surcharges or Rebates) (Hydrocarbon Oils etc.) Order 2022 ("the 2022 Order"), and subsequently continued by later Orders, most recently the Excise Duties (Surcharges or Rebates) (Hydrocarbon Oils etc.) (Temporary Continuation of 2022 Order and Adjustments) Order 2026 ("the 2026 Order"), until 31 December 2026. The Chancellor has also decided to make a further temporary reduction to the rebated rate of duty for gas oil, biodiesel and bioblend by 3.7ppl from 15 June 2026 to 31 December 2026.

5.2 After 31 December 2026, the fuel duty rates will increase by 3ppl on 1 January 2027 and by 2ppl on 1 March 2027 when this instrument expires at the end of 28 February 2027, returning them to levels set in HODA. Fuel duty rates for rebated and lower taxed fuels will increase proportionately. This policy was announced on 20 May 2026.

***What was the previous policy, how is this different?***

5.3 HODA requires the payment of fuel duty on hydrocarbon oils imported or produced in the UK for use within the UK. These products are generally used to power engines, motors, or other machinery. Before the temporary 5ppl reduction took effect in 2022, duty rates varied from 67.67ppl for light oil (other than unleaded petrol and aviation gasoline) to nil for kerosene used for heating.

5.4 The 2022 Order temporarily lowered the fuel duty rates payable by importers and producers of hydrocarbon oil products intended for the UK market for a period of one year.

5.5 The 2022 Order cut the duty rates in HODA by 5ppl or kilogram (as appropriate), or by 8.63% if this would result in a duty decrease in excess of 10% (the maximum permitted by the Excise Duties (Surcharges or Rebates) Act 1979), and by 5% for Aviation Gasoline.

5.6 Subsequent orders extended the cut in duty rates made by the 2022 Order. Most recently, the 2026 Order extended the cut until the end of 31 August 2026.

## 6. Legislative and Legal Context

***How has the law changed?***

6.1 The effect of this instrument will be to extend the effect of the 2022 Order for all rates of fuel duty until the end of 31 December 2026. It also provides a further temporary reduction to the rebated rate of duty on gas oil, biodiesel, bioblend and consequentially other fuels that attract the rebated gas oil rate by 3.7ppl from 15 June 2026 to 31 December 2026, before reversing the temporary cuts to fuel duty from 1 January 2027 until 28 February 2027, so that rates will return to levels set in HODA from 1 March 2027.

***Why was this approach taken to change the law?***

6.2 This instrument is made in exercise of powers under the Excise Duties (Surcharges or Rebates) Act 1979 ("EDSRA"). It makes amends the 2026 Order to give effect to the necessary changes. This approach was considered the most straightforward and proportionate means to achieve the intended result.

## 7. Consultation

***Summary of consultation outcome and methodology***

7.1 This instrument effectively legislates to extend the original cut in the liabilities to duty made by the 2022 Order until 31 December 2026 with rates then gradually returning to March 2022 levels by 1 March 2027 and this is a matter for the Chancellor of the Exchequer. The Government does not consult on tax rates as these are commercially sensitive.

## 8. Applicable Guidance

8.1 As fuel duty rates will change, guidance published on the fuel duty section of the GOV.UK website[2] will be updated to coincide with the introduction of this instrument and each change in the rates.

# Part Two: Impact and the Better Regulation Framework

## 9. Impact Assessment

9.1 A Tax Information and Impact Note covering this instrument will be published on the GOV.UK website.[3]

***Impact on businesses, charities and voluntary bodies***

9.2 There will be some impact on businesses, charities or voluntary bodies that use fuel, who will continue to incur a lower amount of fuel duty, compared to before March 2022. This will particularly benefit those where fuel is a significant part of ongoing running costs. One-off costs could include familiarisation with the new fuel duty rates and updating systems to reflect the changes. There are not expected to be any continuing costs.

9.3 The legislation does not impact small or micro businesses.

9.4 No mitigating actions are needed to minimise the impact of the requirements on small businesses (employing up to 50 people) as this legislation will positively impact all businesses who use fuel by extending the temporary reduction of excise duty in the cost of fuel in comparison to if this legislation were not made.

[2] Fuel duty rates: https://www.gov.uk/government/publications/rates-and-allowances-excise-duty-hydrocarbon-oils/excise-duty-hydrocarbon-oils-rates

[3] Tax Information and Impact Note: https://www.gov.uk/government/publications/amended-fuel-duty-rates-for-2026-to-2027

9.5 The impact on the public sector is an extended, temporary reduction in fuel costs until the end of February 2027, which will particularly benefit those where fuel is a significant part of ongoing running costs.

## 10. Monitoring and review

***What is the approach to monitoring and reviewing this legislation?***

10.1 The approach to monitoring this legislation is through information collected from tax receipts. Continued collaboration with Department for Transport will also allow monitoring of traffic levels and emissions.

10.2 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015 Dan Tomlinson MP has made the following statement: "Under section 28(3)(a) a review clause is not required as the regulations make or amend provisions relating to a duty."

# Part Three: Statements and Matters of Particular Interest to Parliament

## 11. Matters of special interest to Parliament

11.1 The fuel duty rates are set out in HODA. The EDSRA power provides for temporary (lasting less than 12 months) and minor (less than 10%) adjustments to be made by order against the fuel duty rates in force at the time. The parliamentary procedure that applies to this instrument depends on whether the adjustments increase the duty rates payable.

11.2 In the case of the 2026 Order, which was made as the 2025 Order was set to expire, a series of forward-looking adjustments were made against the HODA rates that would otherwise have been in force. HMRC applied a "but for" analysis to determine whether the adjustments would lead to an increase of the duty rates payable as compared to the rates that would be in force if the 2026 Order was not made. Consequently, although the practical effect of the adjustments would be to increase duty actually payable, the legal effect is that the adjustments are purely relieving as compared to the HODA rates that would otherwise be in force. HMRC therefore concluded that the negative procedure applied to the 2026 Order.

11.3 HMRC has carefully considered the Committee's Thirteenth Report of Session 2024-26, which considered HMRC's interpretation of EDSRA's procedural provisions and takes careful note of the Committee's view that the powers under EDSRA should not be used so as to avoid parliamentary scrutiny. HMRC's view is that applying the "but for" analysis, this instrument provides for adjustments that reduce or maintain the rates that would be in force at the relevant time but for the instrument being made (that is, the HODA rates as adjusted by the 2026 Order). The adjustments therefore do not increase the rates that would otherwise be payable, and, accordingly, the negative procedure applies.

## 12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation, no statement is required.

## 13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").

13.2 All fuel duty rates will remain above the minimum rates set in the Energy Taxation Directive (2003/96/EC) and therefore the instrument meets the UK Government's commitment in Article 8 of the Protocol on Ireland/Northern Ireland in the European Union Withdrawal Agreement that this directive shall apply to the UK in respect of Northern Ireland.