EXPLANATORY MEMORANDUM TO

THE VALUE ADDED TAX (CONSIDERATION FOR FUEL PROVIDED FOR PRIVATE USE) ORDER 2006

2006 No. 868

1. This explanatory memorandum has been prepared by H M Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

2. Description

2.1 The instrument increases fuel scale charges for private use (Table A at section 57(3) of the Value Added Tax Act 1994) in line with fuel cost increases. The increase takes effect from a taxable person's first prescribed accounting period started after 30 April 2006.

3. Matters of special interest to the select Committee on Statutory Instruments

None

4. Legislative Background

4.1 The UK has a derogation from the EC Sixth Council Directive (77/388/EEC). The terms of the derogation allow the UK to express the fuel scale charge in respect of fuel for private use in fixed amounts determined according to the engine size or type of vehicles. The terms of the derogation also require the UK to amend the scales annually in line with changes to the average cost of fuel.

5.Extent

5.1 This instrument applies to all of the United Kingdom

6. European Convention on Human Rights

The FINANCIAL SECRETARY TO THE TREASURY, John Healey, has made the following statement regarding Human Rights:

In my view the provisions of the Value Added Tax (Consideration for Fuel Provided for Private Use)Order 2006 are compatible with the Convention rights

7. Policy background

7.1 The fuel scale charges system is a business facilitation measure that offers the taxpayer a simplified method of taxing the private use of fuel provided by a business. Without such a system, taxpayers would be required to keep accurate records of mileage in order to apportion their fuel expenditure between business and private motoring. In broad terms, the system provides taxpayers with a figure for the average

fuel expenditure on private mileage based on the average cost of fuel per kilometre and the average distance covered per vehicle each year on private journeys. The charge is based on the engine size of the vehicle and the type of fuel used.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

9.) Contact

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