



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Tom Clements
National Outdoor Events Association (NOEA)
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29 March 2022

Dear Tom,

CHANGES TO TAX TREATMENT OF REBATED FUELS

Thank you for your letter of 21 February regarding the changes to the tax treatment of rebated fuels. I am replying as the Minister responsible for this policy area.

As you will know, at Budget 2020, the Chancellor announced that he will remove the entitlement to use red diesel from April 2022, except in agriculture (as well as forestry, horticulture and pisciculture), rail and for non-commercial heating (including domestic heating). These tax changes mean that most businesses in the UK currently using red diesel will no longer get a significant tax break compared with ordinary motorists; they will instead need to use diesel fuel taxed at the standard rate for diesel from April 2022, which more fairly reflects the harmful impact of the emissions they produce.

These reforms are also designed to ensure that the tax system incentivises users of polluting fuels like diesel to improve the energy efficiency of their vehicles and machinery, invest in cleaner alternatives or use less fuel. The development of these alternatives will be supported by the Government at least doubling its investment in energy innovation by committing over £1 billion to the Net Zero Innovation Portfolio.

I note that you have concerns about the impact of the tax changes on the events industry in terms of increasing fuel costs, and the Government recognised that

these reforms will be a significant change for some businesses. The Government ran a consultation to gather information from affected users on the expected impact of these tax changes and make sure it had not overlooked any exceptional reasons why other sectors should be allowed to continue to use red diesel beyond April 2022. As part of this, I understand my officials carefully analysed all consultation responses received, including from the Association of Independent Festivals and Green Gathering Festival.

Following the consultation, the Chancellor announced at Spring Budget 2021 that the Government will grant further entitlements to use red diesel after April 2022 for a limited number of users. However, having assessed the cases made by other sectors to retain their red diesel entitlement, including the events sector, the Government did not believe that they were compelling enough to outweigh the need to ensure fairness between the different users of diesel fuels, the Government's long-term environmental objectives and the need for the tax system to incentivise the development of greener alternatives to polluting fuels.

In recognition of the unique circumstances that are currently pushing up fuel prices to unprecedented levels, the Government announced at the Spring Statement that it is cutting fuel duty on petrol and diesel by 5 pence per litre for a period of 12 months. This is a significant tax cut that will deliver considerable savings to businesses over the next year, including those that use diesel, and is the first time in over a decade that the main rates of petrol and diesel have been cut.

With regard to wider Government support for the events industry, the Live Events Reinsurance Scheme supports live events such as music festivals, sporting and business events that are at risk of being halted or delayed due to an inability to obtain COVID-19 cancellation insurance. Over £800 million in cover is available to purchase alongside standard commercial events insurance for an additional premium.

This is a world-leading insurance scheme, backed by a number of prominent insurers in the Lloyd's market, including Arch, Beazley, Dale, Hiscox and Munich Re, with few countries offering this kind of cover. It builds on our existing offering of support to the industry, including the nearly £2 billion Culture Recovery Fund

(CRF) and the £500 million Film and TV Production Restart scheme. So far more than £1.5 billion has been allocated to around 5,000 individual organisations and sites through the CRF including theatres, orchestras, dance and music venues, supporting live events and performance.

I appreciate you may be disappointed with this response, but I do hope it at least explains why the Government is making these tax changes and the action we are taking with regard to the concerns you have raised.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Helen Whately', with a large, sweeping flourish at the end.

Helen Whately
Exchequer Secretary to the Treasury