

EXPLANATORY MEMORANDUM TO
THE CLIMATE CHANGE LEVY (GENERAL) (AMENDMENT) REGULATIONS
2018

2018 No. 118

1. Introduction

- 1.1 This explanatory memorandum has been prepared by HM Revenue & Customs and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This instrument amends the Climate Change Levy (General) Regulations 2001 (SI 2001/838) (“the General Regulations”) from 1 April 2019 in relation to the formula used to calculate relief entitlement (“the formula”). It will align the General Regulations with changes made in Finance Act 2016 (“the 2016 Act”) to the reduced rates of Climate Change Levy (“CCL”) available to qualifying businesses in the Climate Change Agreement (“CCA”) scheme, also from 1 April 2019. The 2016 Act provided for amended reduced rates from this date: reduced rate supplies of electricity will qualify to pay 7 per cent (from 10 per cent) of what would have been payable if they were not eligible to the reduced rate while other reduced rate supplies will qualify to pay 22 per cent (from 35 per cent).
- 2.2 The instrument amends the definition of “r” within the formula from 0.90 in the case of electricity and 0.65 in any other case to 0.93 in the case of electricity and 0.78 in any other case (representing the rates of 93 per cent and 78 per cent relief that will be applicable from 1 April 2019).

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

- 3.1 None.

Other matters of interest to the House of Commons

- 3.2 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative context

CCL was introduced from 1 April 2001 and is provided for by section 30 of, and Schedules 6 and 7 to, the Finance Act 2000. The reduced rate percentage discount of CCL is set out in paragraph 42(1) (ba) and (c) of Schedule 6 to the Finance Act 2000 (as amended by section 148 of the 2016 Act) and will have effect in relation to supplies treated as taking place on or after 1 April 2019.

- 4.1 Paragraph 2 of Schedule 1 to the General Regulations provides the formula for calculating the overall relief entitlement to achieve the reduced rates set out in the primary legislation.

5. Extent and Territorial Application

- 5.1 The extent of this instrument is the United Kingdom.
- 5.2 The territorial application of this instrument is the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

- 7.1 When CCL was introduced in 2001, the then government introduced the CCA scheme alongside it and provided for reduced rates for participants of the scheme in order to reduce energy costs and help maintain the competitiveness of UK energy-intensive industries. There are currently 53 sectors participating in the scheme, ranging from chemicals and paper processing to agricultural businesses such as intensive pig and poultry farming.
- 7.2 The 2016 Act legislated for CCL rate rises in line with the retail prices index (“RPI”) from 1 April 2017 and 1 April 2018. It legislated for above-RPI increases from 1 April 2019 with the aim of recouping lost revenue from the abolition, in 2019, of the Carbon Reduction Commitment energy efficiency scheme.
- 7.3 In order to minimise the impact on businesses in the CCA scheme of these above RPI increases, the percentage discounts for the reduced rates of CCL were adjusted so that qualifying businesses will be subject only to an increase to their CCL liability broadly in line with RPI.

Consolidation

- 7.4 There is no current intention to consolidate the amendments that have been made to the General Regulations.

8. Consultation outcome

- 8.1 Not applicable.

9. Guidance

- 9.1 Seven public notices covering CCL are available on www.gov.uk

10. Impact

- 10.1 There is no impact on charities or voluntary bodies.
- 10.2 Businesses from across 53 energy-intensive sectors will benefit from the increased discount reflected in the amended formula.
- 10.3 There is no impact on the public sector.
- 10.4 A Tax Information and Impact Note entitled ‘*Climate Change Levy: main and reduced rates*’ was published at Budget 2016, covering the changes in this instrument. This can be found at <https://www.gov.uk/government/publications/climate-change-levy-main-and-reduced-rates/climate-change-levy-main-and-reduced-rates>. It remains an accurate assessment of the impacts of this measure.

11. Regulating small business

- 11.1 The legislation applies to activities that are undertaken by small businesses.
- 11.2 Qualifying small businesses will benefit from the reduced rates of CCL through the increased discount in the revised relief formula.
- 11.3 No special action with regard to small business is deemed necessary.

12. Monitoring & review

- 12.1 The impact of this measure will be monitored and evaluated as part of the normal Budget process.

13. Contact

- 13.1 Cesar Yanchev at HM Revenue & Customs, Telephone: 03000 532 030 or email: lachezar.yanchev@hmrc.gsi.gov.uk can answer any queries regarding the instrument.