

# FINANCE ACT 2014

---

## EXPLANATORY NOTES

### INTRODUCTION

#### *Section 99 and Schedule 20: Climate Change Levy: Exemptions for Metallurgical and Mineralogical Processes*

#### Summary

1. This section and Schedule amend Schedule 6 to the Finance Act 2000 ('Schedule 6') to introduce new exemptions from the main rates of climate change levy (CCL) for the energy used in mineralogical and metallurgical processes and remove certain existing reliefs from CCL which will be superseded by the new exemptions, all from 1 April 2014.

#### Details of the Schedule

##### Part 1

2. Paragraph 2 inserts a new paragraph 12A into Schedule 6. New sub-paragraph 12A(1) exempts CCL taxable commodities used in mineralogical and metallurgical processes. New sub-paragraph 12A(2) defines a mineralogical process by reference to Article 2(4) (b) of Council Directive [2003/96/EC](#) of 27 October 2003, which deals with the taxation of energy products. New sub-paragraphs 12A(3) and (4) define a metallurgical process as a process falling within Division 24 (excluding class 24.46), Group 25.5 and Class 25.61 of the NACE Codes Revision 2.
3. Paragraphs 3, 4, 5, 6, and 7 amend paragraphs 42(1) and 101(2)(a)(ii), and omits paragraphs 42(1ZA), 43A, 43B(1)(b)(i), 62(1)(ca) and (cb) and 101(2)(a)(iiia) of Schedule 6, to remove references to the partial relief from CCL for taxable commodities used in scrap metal recycling, since this is superseded by the new exemption for metallurgical processes. The paragraphs also make a number of consequential amendments.
4. Paragraph 8 makes consequential amendments to the [Climate Change Levy \(General\) Regulations 2001 \(SI 2001/838\)](#) ('the general regulations') to remove various references to the lower rate for scrap metal recycling. Sub-paragraph (8) adds a reference to new paragraph 12A of Schedule 6 into regulation 34 of the general regulations requiring that those carrying out mineralogical and metallurgical processes submit certificates to their energy supplier. Sub-paragraph (12) amends the CCL relief formula in Schedule 1 to the general regulations to take account of the removal of the lower rate for scrap metal recycling and the addition of the new exemptions for mineralogical and metallurgical processes. Sub-paragraph (16) provides that that the changes to sub-paragraphs (8) and (12) are to be treated as having been made under the power given to the Commissioners for Her Majesty's Revenue and Customs under paragraph 22 of Schedule 6.
5. Paragraph 9 makes amendments to Schedule 1 to the [Climate Change Levy \(Fuel Use and Recycling Processes\) Regulations 2005 \(SI 2005/1715\)](#) to remove various metals and associated provisions from the CCL fuel use exemption as taxable commodities

*These notes refer to the Finance Act 2014 (c.26)  
which received Royal Assent on 17 July 2014*

used to produce these metals will become exempt under the metallurgical exemption. It also provides that the amendments are to be treated as having been made by the Treasury under the power given to it by paragraph 18(2) of Schedule 6.

6. Paragraph 10 sets out the commencement provisions for part 1 of the Schedule.

## **Part 2**

7. Paragraph 12 adds additional sub-paragraphs (5) and (6) to the new paragraph 12A (as inserted by paragraph 2 of this Schedule). Sub-paragraph (5) provides that the Treasury may amend the definition of “mineralogical process” in new paragraph 12A by regulations and sub-paragraph (6) provides that the Treasury may, in relation to the definition of “metallurgical process” in new paragraph 12A, amend sub-paragraph (4) of that paragraph by regulations.
8. Paragraph 13 amends paragraph 13A(3) of Schedule 6 so that draft instruments made under paragraph 13A that have to be approved only by the House of Commons have to be laid before that House only, and not Parliament.
9. Paragraph 14 inserts new sub-paragraphs (3A) and (3B) into paragraph 146 of Schedule 6 to require that any regulations made under new paragraph 12A(5) and (6) that removes an exemption in paragraph 12A or narrows its scope are made under the draft affirmative procedure. It also makes amendments to paragraph 146(2) and (3) so that draft instruments that are to be approved only by the House of Commons have to be laid before that House only, and not Parliament.

## **Background Note**

10. The CCL was introduced on 1 April 2001. Its main rates tax electricity, natural gas, solid fuels and liquid petroleum gas when used as fuels by business and the public sector. The levy’s purpose is to encourage energy efficiency.
11. The Government announced at Budget 2013 that it would exempt from the main rates of CCL the energy used in mineralogical and metallurgical processes, from 1 April 2014 and that it would seek views from industry after the Budget to inform the draft legislation. The new exemptions will ensure the UK’s tax treatment of these highly energy intensive processes is in line with tax treatments elsewhere in the European Union (EU), thereby reducing any distortion of competition.
12. The exemptions will be defined by reference to the NACE code system, the EU system of classifying economic activity; the codes are widely used in data gathering and statistical reporting.
13. Certain existing reliefs from the CCL will become redundant as they will be covered by the exemptions. This includes the lower rate for taxable commodities used in metal recycling and taxable commodities used in certain fuel uses. As a result, these superseded reliefs will be removed at the same time the new exemptions for mineralogical and metallurgical processes come into force.