EXPLANATORY NOTE

(This note is not part of the Order)

VAT is payable if road fuel of a business is used for private motoring. The amounts are set out in Table A in section 57(3) of the Value Added Tax Act 1994 (c.23), which applies flat rate values to vehicles based on their CO_2 emissions. Section 57(4) provides that the Treasury may by order taking effect from the beginning of any prescribed accounting period substitute a new table for Table A. New tables have been substituted annually to ensure the flat rates reflect the increase in road fuel costs. The most recent amendment was the Value Added Tax (Consideration for Fuel Provided for Private Use) Order 2008 (S.I. 2008/722).

Section 57(4A) of the Value Added Tax Act 1994 was inserted by section 2 of the Finance (No.2) Act 2005, by virtue of SI 2007/946. This provision gives the power to substitute a table which describes vehicles by reference to their CO_2 emissions figure. The new flat rates have been calculated in line with the average cost of fuel applicable in April 2009. Where a vehicle does not have a CO_2 emissions figure, the Notes to the Table apply a CO_2 emissions figure by reference to the vehicle's engine size. The new rates apply to any prescribed accounting period starting after 30th April 2009.

Council Decision 659/2006/EC of 25th September 2006 (O.J. No. L 272. 3.10.2006, p.15) authorises the United Kingdom to fix the proportion of value added tax relating to expenditure on fuel used for private purposes in business cars on a flat rate basis. That proportion is required to be expressed in fixed amounts and established on the basis of the CO_2 emissions level of the type of vehicle that reflect fuel consumption. The amounts must be adjusted annually to reflect changes in the average cost of fuel.

A full and final impact assessment has not been produced for this instrument as a negligible impact on the private or voluntary sectors is foreseen.