

**EXPLANATORY MEMORANDUM TO  
THE CLIMATE CHANGE LEVY (GENERAL) (AMENDMENT)  
REGULATIONS 2011**

**2011 No. 684**

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 operation of the supplier certificate regime used to administer certain climate change levy (“CCL”) reliefs and makes consequential amendments to secondary legislation following the changes to the CCL reduced rate introduced by section 18 of the Finance Act 2010.
3. **Matters of special interest to the Select Committee on Statutory Instruments**
  - 3.1 None.
4. **Legislative Context**
  - 4.1 The instrument amends the formula given in paragraph 2 of Schedule 1 to the Climate Change Levy (General) Regulations 2001 (“the General Regulations”) used for calculating the overall CCL relief percentage on a supply. This amendment is in consequence of the change made to the reduced rate by section 18 of the Finance Act 2010.
  - 4.2 The instrument also makes changes to regulation 37 and paragraph 14 of Schedule 1 to the General Regulations in order to reduce the administrative burdens of demonstrating entitlement to CCL reliefs.
5. **Territorial Extent and Application**
  - 5.1 This instrument applies to all of the United Kingdom.
6. **European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.
7. **Policy background**

**What is being done and why**

### *Administrative burdens*

- 7.1 The CCL is an important part of the UK's strategy for meeting the UK's legally binding target under the Kyoto Protocol of a 12.5% reduction in greenhouse gas emissions below 1990 levels over the period 2008 - 2012. To help meet these targets, CCL encourages the efficient use of energy and the use of renewable energy. The levy also provides for a number of exemptions, an exclusion and a reduced rate.
- 7.2 Entitlement to the majority of CCL reliefs is determined by the use to which the commodity supplied will be put.
- 7.3 When a business claims a relief from CCL they have to send a supplier certificate (PP11) to their energy supplier. They must also send HMRC both the PP11 and their supporting analysis (PP10). From 1 April, they will only need to send HMRC the PP10. The requirement placed on energy suppliers to provide a summary of reliefs applied to HMRC is being removed.
- 7.4 These changes are being implemented to reduce the administrative burdens placed upon relief recipients and energy suppliers whilst ensuring the assurance of the levy is not compromised.

### *Reduced-rate supplies*

- 7.5 Business energy consumers use the supplier certificate to declare the overall CCL relief percentage they are claiming, once all of the end-use reliefs to which they are entitled have been taken into account. The relief formula at Schedule 1 of the Climate Change Levy (General) Regulations 2001 provides the methodology for calculating this percentage.
- 7.6 The CCL reduced rate, which is a State aid, is claimed by energy intensive businesses participating in the climate change agreements (CCA) scheme. Section 18 of Finance Act 2010 amended the reduced rate of levy from 20 to 35 per cent from 1 April 2011. The change will enable the UK to use the simplified procedure for State aid clearance provide for by the EU General Block Exemption Regulation (Commission Regulation (EC) No 800/2008).
- 7.7 To give effect to the amendment to the reduced rate, this instrument makes a corresponding amendment to the relief formula at Schedule 1 of the Climate Change Levy (General) Regulations 2001. Businesses affected by the change in the relief formula will also be required to submit fresh certificates to their energy suppliers.

## **8. Consultation outcome**

- 8.1 HMRC has reviewed the supplier certificate regime through informal dialogue with trade associations representing end-users eligible to CCL

relief and the major energy suppliers and concluded that the obligations being removed were unnecessary burdens. Those consulted were supportive of the changes to the administration of the supplier certificate regime.

- 8.2 Alongside the announcement about the amendment to the reduced rate, Pre-Budget Report 2009 announced that businesses affected by the change would be required to submit new supplier certificates. HMRC have received no expressions of concern.

## **9. Guidance**

- 9.1 The prospective changes are being announced via a Revenue and Customs Brief. HM Revenue & Customs will update its CCL notices to reflect the changes and will continue dialogue with affected trade associations to enable them to inform their members.

## **10. Impact**

- 10.1 The impact on business, charities or voluntary bodies is negligible.
- 10.2 The impact on the public sector is negligible.
- 10.3 An impact assessment has not been prepared for this instrument.

## **11. Regulating small business**

- 11.1 The legislation applies to small business.
- 11.2 To minimise the impact of the requirements on firms employing up to 20 people, the approach taken is a general tax provision and the same for all firms.
- 11.3 This instrument both removes some burdens and imposes others. The burdens that are being imposed arise from UK State aid obligations. Affected businesses have been aware of the change, which was publicised in a Pre-Budget Note, since 9 December 2009 and since then no representations about their impact on small businesses have been received.

## **12. Monitoring & review**

- 12.1 The changes to the evidencing of entitlement to relief from CCL will be monitored and reviewed as part of HMRC's normal assurance process to ensure that the changes made by this instrument achieve their aims.

## **13. Contact**

Martin Shaw at HM Revenue & Customs Tel: 0161 837 0363 or email: [martin.shaw@hmrc.gsi.gov.uk](mailto:martin.shaw@hmrc.gsi.gov.uk) can answer any queries regarding the instrument.