

## Guidance Note on Solid Fuel Carbon Tax

### 1. Introduction

Solid fuel carbon tax (SFCT) is an excise duty that will apply to solid fuel supplied in the State on or after 1 May 2013. In advance of the introduction of the tax, this note outlines broadly the main features of SFCT and how it will be applied by Revenue.

### 2. What solid fuel is taxable?

SFCT will apply to coal and peat, as defined in section 77 of the Finance Act 2010.

‘Coal’ is defined as *“coal and lignite, solid fuel manufactured from coal and lignite, and any other energy product within the meaning of Article 2.1 of the Directive<sup>1</sup>, in solid form;”* A list of the energy products within the meaning of Article 2.1 of the Directive and to which the tax applies when in solid form, is included as an appendix to this note.

‘Peat’ is defined as *“peat falling within CN Code 2703 and includes any solid fuel manufactured from peat;”*

### 3. When and for whom does the liability arise?

A liability to SFCT arises on the first supply of a quantity of solid fuel in the State by a supplier and the supplier is accountable for and must pay the tax to Revenue.

‘First supply’ means a quantity of solid fuel supplied in the State that had not previously been supplied in the State.

For SFCT purposes, supply in the State means a supply from one supplier established in the State to another supplier established in the State, or from a supplier established in the State to a consumer in the State. This applies also in situations where suppliers supply solid fuel to themselves for their own use. See the information in paragraph 6 of this note on the treatment of supplies of solid fuel for manufacturing.

A supplier is an accountable person under the VAT Acts (that is, registered for VAT in the State) or a taxable person carrying on business in the State below the threshold for VAT registration.

Any person who is VAT-registered or a taxable person in the State and who makes a first supply of solid fuel in the State, is an accountable person for the tax and must register with the Revenue Commissioners for the purpose of SFCT.

In practice, only those suppliers who are bringing solid fuel into the State, or producing it within the State, for onward supply (to other traders or direct to the public) should register for the tax with Revenue. A person trading in fuel who receives all their fuel from main suppliers based in the State will receive their fuel tax paid by that main supplier and will not need to register with Revenue. However, if that person receives some or all of their solid fuel supplies from a supplier based in another member state, for example, a supplier based in Newry, they will be accountable for the tax when they supply that fuel onward to their own customers. In such cases, the person must register for the tax with Revenue and pay the tax on the supply of that fuel in any accounting period.

A tax liability does not arise where an individual personally purchases and brings into the State solid fuel from a supplier in another Member State, provided the fuel is for their own private use and they accompany the fuel into the State. However, should that individual, instead of using it for their own use,

<sup>1</sup> Directive 2003/96/EC of 27 October 2003 restructuring the Community framework for the taxation of energy products and electricity.

supply another person in the State with that fuel, they will have made a first supply of solid fuel in the State as a supplier and will be liable to pay SFCT on that supply and must register with Revenue accordingly.

#### **4. How will the tax be collected?**

The tax will be collected on a self-assessed basis. This means that the person liable to pay the tax must assess the tax liability and make a tax return and tax payment to Revenue on that basis. The return will be subject to audit and compliance check by Revenue.

#### **5. What is the tax treatment of a first supply outside the State?**

Where a first supply of solid fuel is made to a person or business located outside the State, that supply is not liable to SFCT. Supplies that have been tax paid correctly, having been first supplied in the State, are not entitled to exemption on later supply outside the State.

#### **6. What is the tax treatment for solid fuel produced in the State?**

Where solid fuel is first supplied for use as a raw material in the manufacture of a solid fuel product in the State and that solid fuel product, in accordance with section 79 of the Finance Act 2010 (as amended), has characteristics that are distinct from the solid fuel from which it is produced, SFCT is not chargeable on that supply. In such cases, the supplier must obtain a properly completed declaration from the manufacturer confirming that the fuel will be used in manufacturing solid fuel products before they make any tax-free supply to that manufacturer (a copy of the declaration is available at <http://www.revenue.ie/en/tax/excise/forms/index.html>). The manufacturer must maintain adequate records of the receipt and use of such tax-free supplies, including information on the manufacturing process for each solid fuel product and its effect on the characteristics of the solid fuel from which it is produced, together with a copy of the declaration provided to the supplier.

The tax becomes due when the manufactured solid fuel product is itself first supplied in the State by the manufacturer. The rate of duty is the rate applying to the finished product. The supplier who makes the first supply in the State of that manufactured product is accountable for and liable to pay the tax charged.

SFCT is applicable to peat extracted for supply in the State. The tax is chargeable on the tonnage weight at first supply. Persons involved in extracting peat for supply and who are making first supplies of the peat are accountable for SFCT. Accordingly, they must register with Revenue for SFCT purposes. Persons extracting peat for their own use and not for supply are not liable to SFCT tax and are not required to register with Revenue.

#### **7. What does “manufacture” mean?**

“Manufacture” in relation to a solid fuel product means the reconstituting or processing of a solid fuel to produce a solid fuel that has characteristics that are distinct from the solid fuel from which it is produced, and includes the production of compressed nuggets and briquettes, and similar products of a regular shape and size, but does not include extraction, washing, drying, breaking or grinding.

#### **8. Rate of Tax**

The rate of tax, with effect from 1 May 2013, is based on a charge of €10 per tonne of CO<sub>2</sub> emitted by the fuel concerned. The rates will increase to €20 per tonne with effect from 1 May 2014. The rates are as follows:

Solid Fuel	Rate of Tax at 1 May 2013	Rate of Tax at 1 May 2014
Coal	€26.33 per tonne	€52.67 per tonne
<i>Peat:</i>		
Peat briquettes	€18.33 per tonne	€36.67 per tonne
Milled peat	€8.99 per tonne	€17.99 per tonne
Other peat	€13.62 per tonne	€27.25 per tonne

### 9. What rate of SFCT will apply to manufactured solid fuel products which include coal and/or peat?

If a manufactured solid fuel product contains an ingredient which comes within the definition of coal, it is liable to SFCT at the rate applicable to coal. Where a manufactured product has components which include both coal and peat, it is liable at the rate applicable to coal. Any manufactured solid fuel with a peat component, but not containing coal, is liable to SFCT at the rate applicable to peat.

There is no provision for charging SFCT on a pro-rata basis where a manufactured solid fuel product comprises a variety of ingredients.

Wood is not liable to the tax and wood products that have no solid fuel component are not liable to SFCT.

### 10. Reliefs

Relief from SFCT is available provided it can be shown, to the satisfaction of the Revenue Commissioners, that the solid fuel on which the relief is claimed was supplied for use that qualifies for the relief.

#### Relief to be applied at source

The following reliefs may be applied at source by the supplier making a first supply, provided certain Revenue requirements are met.

- A full relief from the tax is applicable to solid fuel supplied for use solely in the generation of electricity (this **does not** include CHP generation).
- A full relief is applicable also to peat delivered for use in an installation that is covered by a greenhouse gas emissions (GHG) permit issued by the Environmental Protection Agency.
- A partial relief applies for coal delivered for use in an installation covered by a GHG permit. The coal concerned will be taxed at the minimum permitted by the EU Energy Tax Directive, which is €4.18 per tonne.

In all cases, the relief may be applied at source by the supplier making the first supply, provided that the consumer gives the supplier, in advance of such supply, a properly completed declaration on the use of the solid fuel and submits a copy of the declaration to Revenue. (a copy of the declaration is available at <http://www.revenue.ie/en/tax/excise/forms/index.html>). If the supplier does not receive the declaration in sufficient time before a supply is made, the relief may not be applied at source. Instead, the supplier must account for the tax and the consumer must claim the relief subsequently from Revenue. The consumer must maintain adequate records to support such claims.

Where, as a result of false or misleading information having been given by a consumer to a supplier, a deficiency in the amount of tax paid arises, it is the consumer and not the supplier that is liable for the deficiency.

### **Reliefs by repayment**

Full relief from the tax by means of repayment to the consumer is provided for in respect of solid fuel which is shown to have been delivered to that consumer for use by them:

- in chemical reduction,
- in electrolytic or metallurgical processes,
- under diplomatic arrangements in the State.

Full relief from the tax by means of repayment to the consumer is provided also for **peat** delivered to them for use in environmentally friendly heat and power cogeneration (other than micro-cogeneration).

A partial relief from the tax is available to consumers for **coal** delivered to them for environmentally friendly heat and power cogeneration, the effect of which will be a net rate charged of €4.18 per tonne.

The relief for heat and power cogeneration is subject to the condition that the CHP unit to which the solid fuel is being supplied, is certified by the Commission for Energy Regulation as meeting the high-efficiency criteria laid down in EU regulations.

Repayment claims must be submitted to Revenue by the claimant, together with the appropriate supporting documentation, within 6 months of the end of the period to which the claim relates.

It should be noted that, in the case of solid fuel subject to relief by repayment, the person who makes the first supply of the solid fuel in question is liable to pay SFCT on that supply.

## **11. Accounting Period**

The accounting period refers to a given period during which tax liabilities arise. For SFCT, the accounting period is a 2 month period and returns and payment are due to Revenue by the end of the following month. The first accounting period for SFCT is May/June 2013 and the accountable person must assess the amount of SFCT due for that period and furnish a return and payment to the Revenue Commissioners on or before 31 July 2013. The return and tax payment for the next accounting period, (July/August '13) will be due by 30 September and so on.

## **12. Registration**

Every supplier who intends to make a first supply of solid fuel in the State on or after 1 May 2013 must register with Revenue for the purposes of the tax. The form, SFCT-reg, should be completed and returned to the Office of the Collector General, Revenue Commissioners, Government Offices, Mill Lane, Listowel, Co. Kerry. Alternatively, a scanned copy of the completed registration form can be sent via secure e-mail to [cgcARBONTAX@revenue.ie](mailto:cgcARBONTAX@revenue.ie). A copy of the registration form is available at <http://www.revenue.ie/en/tax/excise/forms/index.html>. See also paragraph 3 above for additional information on persons who, as suppliers, are required to register.

### 13. Secure e-mail

The Revenue Commissioners have implemented a system to allow e-mail messages to be sent and received securely and strongly recommend taxpayers to use this secure e-mail system as a quick and convenient channel. Further information on secure e-mail can be viewed on Revenue's website <http://www.revenue.ie/>. To register for our (encrypted) secure email service, visit Revenue's website at: <http://www.revenue.ie/en/online/secure-email.html>.

Please note that Revenue cannot guarantee the security of personal and sensitive data sent in plain text via standard email. Customers who choose to use standard email are deemed to have accepted any risk involved.

### 14. Returns and Payment

The SFCT return, SFCT1, includes, *inter alia*, details of the quantity and categories of taxable solid fuel supplied tax-free (including the quantity and categories of solid fuel which qualify for relief at source, solid fuel supplied for use as a raw material in the manufacture of another solid fuel product (as outlined above in paragraphs 6 and 7), etc.), together with the tax assessed by the accountable person as payable. A copy of the return form is available at <http://www.revenue.ie/en/tax/excise/forms/index.html>.

The SFCT return and tax payable should be forwarded to Revenue by the required date, at the following address; The Office of the Collector General, Revenue Commissioners, Government Offices, Mill Lane, Listowel, Co. Kerry. Alternatively, the return may be sent by secure e-mail to [cgcARBONTAX@revenue.ie](mailto:cgcARBONTAX@revenue.ie).

Payment of the SFCT must be made by Electronic Fund Transfer (EFT) to the following Bank Account:

**CGs Carbon Tax EFT Account, Bank Of Ireland, College Green, Dublin 2.**

**Sort Code: 90-00-17 A/C No: 2039165.**

The following reference should be included on the EFT: "SFCT", followed by your Tax Reference Number (as used on page 1 of this form) e.g. "SFCT 1234567A"

More detailed information on how to complete the return form is included on the form itself.

### 15. Records

Solid fuel suppliers who are accountable for SFCT must keep all accounts and records relevant to the tax for a period of 6 years. Records to be retained include, *inter alia*, any books, documents (including invoices, delivery and purchase orders, stock records, declarations relating to tax-free supplies etc.), accounts, or any other related information, including information stored by electronic means in any form. Any manufacturer who receives a tax-free solid fuel supply for use as raw material in manufacturing must also maintain adequate records relevant to that supply, including a copy of the declaration provided to the supplier of that supply, together with a description of the manufacturing process for each solid fuel product and its effect on the characteristics of the solid fuel from which it is produced.

These guidelines are provided for information purposes and do not purport to be a legal interpretation of the legislation — see Chapter 3 of Part 3 of the Finance Act 2010, and the Solid Fuel Carbon Tax Regulations 2013.

## Appendix

The following are the energy products listed under Article 2.1 of Directive 2003/96/EC of 27 October 2003 which, if in solid form, fall within the definition of coal and are liable to solid fuel carbon tax.

For the purposes of this Directive, the term 'energy products' shall apply to products:

- (a) falling within CN codes 1507 to 1518, if these are intended for use as heating fuel or motor fuel;
- (b) falling within CN codes 2701, 2702 and 2704 to 2715;
- (c) falling within CN codes 2901 and 2902;
- (d) falling within CN code 2905 11 00, which are not of synthetic origin, if these are intended for use as heating fuel or motor fuel;
- (e) falling within CN code 3403;
- (f) falling within CN code 3811;
- (g) falling within CN code 3817;
- (h) falling within CN code 3824 90 99 if these are intended for use as heating fuel or motor fuel.

The CN codes referred to above, in accordance with Directive 2003/96/EC, apply to the following products:

1507	Soya-bean oil and its fractions, whether or not refined, but not chemically modified
1508	Ground-nut oil and its fractions, whether or not refined, but not chemically modified
1509	Olive oil and its fractions, whether or not refined, but not chemically modified
1510	Other oils and their fractions, obtained solely from olives, whether or not refined, but not chemically modified, including blends of these oils or fractions with oils or fractions of heading 1509
1511	Palm oil and its fractions, whether or not refined, but not chemically modified
1512	Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified
1513	Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified
1514	Rape, colza or mustard oil and fractions thereof, whether or not refined, but not chemically modified
1515	Other fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified
1516	Animal or vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, re-esterified or elaidinised, whether or not refined, but not further prepared
1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of heading 1516
1518	Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading 1516; inedible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, not elsewhere specified or included

2701	Coal; briquettes, ovoids and similar solid fuels manufactured from coal
2702	Lignite, whether or not agglomerated, excluding jet
2704	Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon
2705	Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons
2706	Tar distilled from coal, from lignite or from peat, and other mineral tars, whether or not dehydrated or partially distilled, including reconstituted tars
2707	Oils and other products of the distillation of high temperature coal tar; similar products in which the weight of the aromatic constituents exceeds that of the non-aromatic constituents
2708	Pitch and pitch coke, obtained from coal tar or from other mineral tars
2709	Petroleum oils and oils obtained from bituminous minerals, crude
2710	Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70 % or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations; waste oils
2711	Petroleum gases and other gaseous hydrocarbons
2712	Petroleum jelly; paraffin wax, microcrystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes, and similar products obtained by synthesis or by other processes, whether or not coloured
2713	Petroleum coke, petroleum bitumen and other residues of petroleum oils or of oils obtained from bituminous minerals
2714	Bitumen and asphalt, natural; bituminous or oil-shale and tar sands; asphaltites and asphaltic rocks
2715	Bituminous mixtures based on natural asphalt, on natural bitumen, on petroleum bitumen, on mineral tar or on mineral tar pitch (for example, bituminous mastics, cut-backs)
2901	I. HYDROCARBONS AND THEIR HALOGENATED, SULPHONATED, NITRATED OR NITROSATED DERIVATIVES
2901	Acyclic hydrocarbons
2902	Cyclic hydrocarbons
2905	II. ALCOHOLS AND THEIR HALOGENATED, SULPHONATED, NITRATED OR NITROSATED DERIVATIVES
2905 11 00	Methanol (Methyl Alcohol)
3403	Lubricating preparations (including cutting-oil preparations, bolt or nut release preparations, anti-rust or anti-corrosion preparations and mould- release preparations, based on lubricants) and preparations of a kind used for the oil or grease treatment of textile materials, leather, furskins or other materials, but excluding preparations containing, as basic constituents, 70 % or more by weight of petroleum oils or of oils obtained from bituminous minerals
3811	Anti-knock preparations, oxidation inhibitors, gum inhibitors, viscosity improvers, anti-corrosive preparations and other prepared additives, for mineral oils (including gasoline) or for other liquids used for the same purposes as mineral oils
3817	Mixed alkylbenzenes and mixed alkylnaphthalenes, other than those of heading 2707 or 2902
3824	Prepared binders for foundry moulds or cores; chemical products and preparations of the chemical or allied industries (including those consisting of mixtures of natural products), not elsewhere specified or included
3824 90 99	Other