



**HM Revenue
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Date 16 February 2006
Our Ref
Your Ref

www.hmrc.gov.uk

Dear Mr Goodwin,

Thank you for your letter dated 1 February to Beth Flowers about the taxation of biofuels. As you were informed, the correspondence was forwarded to me to review the decision made regarding taxation of the fuel you produce. I also refer to our telephone discussion of 10 February during which we agreed a way forward, which I have summarised below.

In your letter dated 16 January, you have made a number of points arguing against the decision made in Beth Flowers' letter to you dated 12 December 2005. These points mainly relate to the way that HM Revenue & Customs (HMRC) have applied the legal definition of biodiesel found in the Hydrocarbon Oil Duties Act (HODA). As I explained, HMRC issued additional guidance on fuels that do not qualify as biodiesel because we had received complaints about sub-standard fuels from other biofuel producers. We concluded that vegetable oil (whether used or unused) must be processed by some method, such as transesterification, which converts the vegetable oil into a fuel suitable for use in a diesel engine. However, as I explained, we have not ruled out methods that produce a fuel meeting the full specification.

You had two samples of fuel tested in Germany. These tests showed that your fuel made from SVO meets the E DIN 51 605 specification for "vegetable oil used as diesel fuel". The comments on the test certificate also confirm that the product satisfies the UK biodiesel specification. We agreed that in order to confirm qualification as biodiesel (and to meet your own quality control standards) that you would regularly test your product against both specifications.

Information is available in large print, audio tape and Braille formats.
Type Talk service prefix number – 18001




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I hope this matter is now resolved satisfactorily but please contact me if you have any further points you wish to raise.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Geoff Riley', with a long horizontal flourish extending to the right and ending in a vertical line.

Geoff Riley