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Guide for supplying fuel to private pleasure craft

To supply red diesel in the UK you must be approved by HMRC as a Registered Dealer in Controlled Oil (RDCO). This guide helps RDCOs identify private pleasure craft (PPC) and apply the correct fuel duty treatment when supplying red diesel to marine or inland vessels.

At a glance

- Determine the vessel's status by its actual or planned use for the fuel you supply.
- A vessel is a PPC if it is used for private or recreational purposes by its owner, charterer/hirer or anyone else allowed to use or operate it.
- For PPC supplies, get a declaration of how much fuel will be used for propulsion and pay the additional duty due, to bring that fuel up to the white diesel rate.
- On 15 June, the red diesel rate changed from 10.18 pence per litre (ppl) to 6.48ppl, until 31 December. The white diesel rate is 52.95ppl, so the difference in duty you must pay to HMRC on fuel for PPC propulsion increases to 46.47ppl.
- If claimed commercial use is unclear, always ask for a written statement and copies of documented evidence.

How to determine the vessel's status

You must determine the vessel's status by how it is used, or planned to be used, at the time of supply. A charter arrangement, whether with or without a skipper or crew, does not make the vessel commercial.

Private pleasure use is any use other than commercial use. It includes leisure cruising, holidays, recreation, and private charters for leisure purposes.

Commercial use involves providing specified transport for paying passengers or goods, industrial activity, or any other service for consideration.

If the circumstances, including the type of vessel, point to leisure use you should treat the vessel as a PPC unless you have credible evidence of commercial use.

Superyachts and similar pleasure vessels

This is particularly relevant for superyachts and their support vessels. These are often commercially owned and hired out, but this does not usually make them commercial for fuel duty purposes. A superyacht is always a PPC if either the owner or a charterer determines how the vessel is used and enjoys it for their own, or their guests', leisure.

This still applies when the charter includes a crew and/or skipper, and these vessels remain a PPC when they are repositioning, on standby or being used for or in support of the owner's pleasure, between charters.

Superyachts and their support vessels will only be commercial in exceptional cases, such as where they are contracted by a government authority or industrial customer to supply non-recreational services for consideration.

What to do when making supplies

- Confirm if the vessel is a PPC or is operating commercially.
- Treat pleasure vessels – especially superyachts – as PPC unless you have clear evidence of commercial use.
- Do not rely on the customer's description, charter status, or crew arrangements.
- For PPC, obtain a declaration of the split between propulsion and non-propulsion use and report and pay to HMRC the additional duty for propulsion.
- Challenge propulsion declarations that appear unrealistic or unlikely.
- Where claimed commercial use is unclear, ask for a written statement and supporting evidence.
- Keep records showing why you were satisfied with the vessel's status and copies of any evidence.
- Report any suspicious supplies or declarations to HMRC, giving full details.

Duty and VAT on fuel supplies to PPC

PPC are not eligible to receive red diesel duty-free under Marine Voyages Relief or to use it for propulsion at the lower, rebated duty rate. You can supply red diesel to a PPC in Great Britain, but:

- the customer must declare the split between propulsion and non-propulsion use.
- as the fuel supplier, you are responsible for paying the additional amount due for propulsion using form H107 (see section 6 of Notice 554).
- the full rate of VAT applies to all red diesel supplies of 2300 litres or more.

Red diesel for non-propulsion uses on a PPC, for example for heating or generating electricity, can be supplied without additional fuel duty if all the conditions are met.

Read this guide alongside:

- Notice 192: Registered dealers in controlled oil
- Notice 554: Fuel used in private pleasure craft and for private pleasure flying
- Notice 263: Relief from fuel duty for marine voyages

Contact us

If you have any questions, contact the HMRC Fuel Duty Policy Team at oils.policymail@hmrc.gov.uk.