

The Rt Hon Rishi Sunak, MP
Chancellor of the Exchequer
1 Horse Guards Road
London
SW1A 2HQ
United Kingdom

05 March 2020

Dear Chancellor,

Tax on Red Diesel

Build UK is the leading representative organisation for the UK construction industry bringing together Clients, Main Contractors, Trade Associations representing over 11,500 Specialist Contractors and other organisations, which collectively represent in excess of 40% of UK construction.

Congratulations on your recent appointment and we are awaiting your first Budget with interest. We hope to see a range of measures that will enable the construction industry to deliver the major construction projects that will support the Government's ambitions to level up the economy and the UK.

Delivery of these projects is dependent on a significant number of vehicles and machinery synonymous with construction. Cranes, excavators, piling rigs, and other equipment quite literally make up the engines that drive growth across the country.

We understand you may be considering a change in the rate of tax applicable to the 'red diesel' used on construction sites. There does not appear to have been any consultation on this potential change or the implications considered.

Changes to the rates of tax on diesel fuel would have a significant impact on the construction sector and, whilst we have not had the chance to fully evaluate the additional cost, we understand that the average construction firm spends around £15,000 a year on red diesel. Given red diesel and standard diesel currently have a tax rate differential of 420% per litre, this will lead to a considerable increase in costs.

Alongside the impact of IR35 & Reverse VAT, this sudden cost increase could significantly slow down construction just as the Government is looking to kick start the Infrastructure Revolution. At the very least, if the tax on red diesel is to change, industry should be properly consulted and an appropriate transition period introduced.

I would hope you could consider the impact and implications of a change in the rate of tax on red diesel in relation to its use by the construction sector.

Yours sincerely

Suzannah Nichol MBE
Chief Executive