



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Sir George Howarth MP
House of Commons
London
SW1A 0AA

14 July 2022

Dear George,

Thank you for your email of 15 March to the former Chancellor of the Exchequer enclosing correspondence from a number of your constituents, about a fuel duty cut. I am responding as the minister for this policy area following my appointment on 8 July. I am sorry for the time it has taken for you to receive a response.

In response to fuel prices reaching their highest ever levels, the Government announced at Spring Statement 2022 a temporary 12-month cut to duty on petrol and diesel of 5p per litre. This is the largest cash-terms cut across all fuel duty rates at once, ever, and is only the second time in 20 years that main rates of petrol and diesel have been cut. This cut represents savings for households and businesses, including hauliers, worth around £2.4 billion in 2022-23.

On your constituents' comments about extra VAT income to HM Treasury as a result of pump prices, the Office for Budget Responsibility now forecasts lower VAT receipts for this year (2022-23) than they did in the Autumn. Increases in VAT per litre of fuel from rising prices are likely to be largely offset by reductions in VAT on other items if households have less to spend on these items, given higher fuel expenditure and a fixed budget.

With regards to the creation of an independent fuel price monitoring body, the Government believes that it is essential that consumers get a fair deal. The supply of petroleum products is subject to competition law and consumer protection under the independent Competition and Markets Authority. We believe this provides the best long-term guarantee of competitive prices.

The Government is clear that it expects those in the supply chain to pass the fuel duty cut through to consumers as soon as possible and has written to key industry stakeholders to set out this expectation. The Business Secretary wrote to industry again in May to reinforce that expectation. The Competition and Markets Authority will not hesitate to use their powers to act against petrol stations if there is evidence that they are infringing competition or consumer law. We will continue to monitor fuel prices closely.

The Government believes that the best approach to managing the cost of living in the long term is helping people into work, supporting them to increase their income and keep more of what they earn. The Government has supported this through an increase to the annual National Insurance Primary Threshold and Lower Profits Limit to £12,570; a reduction to the Universal Credit taper rate; increasing the National Living Wage; and, the Plan for Jobs.

However, the Government is aware that millions of households across the UK are struggling to make their income stretch to cover the rising cost of living. In May, the Government announced that it is providing over £15 billion of additional support, targeted particularly on those with the greatest need. This package builds on the over £22 billion already in place, with Government support for the rising cost of living now totalling over £37 billion in 2022.

To help vulnerable households further with the cost of essentials, such as food, clothing and utilities, the Government is providing an additional £500 million for the Household Support Fund from October 2022. This is in addition to the £1 billion already provided since October 2021, bringing total funding to £1.5 billion.

This is on top of existing support available for households with the cost of energy bills, such as the Warm Home Discount, the Winter Fuel Payment and the Cold Weather Payment.

Please pass on my thanks to your constituents for taking the trouble to make me aware of their concerns.

Yours sincerely,



Alan Mak MP
EXCHEQUER SECRETARY TO THE TREASURY