

Briefing: fuel duty in Europe

October 2024

Overview:

- At 53p a litre, the UK has the **highest** duty on diesel and the **ninth highest** duty on petrol compared with EU member states.¹ This is higher than Belgium, over 23 per cent more than Spain, and almost double that paid by motorists in Malta.
- If the UK does not extend the 5p cut in fuel duty, the cost of duty for diesel and petrol would rise to **58p a litre**. This would make the UK have the **sixth highest** duty on petrol when compared with EU member states and make duty on diesel **more than double** that paid by motorists in **Bulgaria and Malta**.
- The UK pays **6p a litre** above the EU average on petrol and **16p a litre** more on diesel.²
- Malta has the lowest petrol and diesel duties among EU member states at 31p a litre and 28p a litre, respectively. UK motorists pay **22p a litre** more on petrol and **25p a litre** more on diesel than those in Malta.
- The UK duty on petrol is **14p a litre** less than the Netherlands, who have the highest petrol duty in the EU. Duty on diesel in the UK is **9p a litre** more than the Netherlands, rising to **14p a litre** if the fuel duty cut isn't extended.
- The average price of petrol in the UK is **£1.35 a litre**.³ This means that petrol duty is equivalent to **39 per cent** of a litre of petrol. This is the seventh highest percentage when compared with EU member states. The Netherlands has the highest percentage with fuel duty accounting for **43 per cent** of the average litre of petrol.
- Duty accounts for **38 per cent** of the average cost of a litre of diesel in the UK. This is the **third highest percentage** compared to EU member states with only Italy and France having a higher percentage share.
- The UK has the **tenth highest** average cost per litre of petrol compared to EU member states. Per litre of diesel, motorists in the UK pay **£1.39** on average which is the **highest** price per litre compared to EU member states.
- The average fuel capacity of a car is **53.5 litres**.⁴ This means that on average in the UK, **£28.36** is paid in fuel duty to fill a car's fuel tank.
- VAT is currently charged after fuel duty has been applied. If VAT were charged before fuel duty was applied, it would save **11p** on the average litre of petrol or diesel.
- Tax on fuel, including duty and VAT, accounts for **56 per cent** or **55 per cent** of the average cost of a litre of petrol or diesel respectively.

¹ HM Revenue & Customs, *Extension to the cut in fuel duty rates to March 2025*, 6 March 2024, www.gov.uk/government/publications/fuel-duty-extending-the-temporary-cut-in-rates-to-march-2025/extension-to-the-cut-in-fuel-duty-rates-to-march-2025, (accessed 14 October 2024).

² European Commission, *Taxes in Europe Database v4*, www.ec.europa.eu/taxation_customs/tedb/#/advanced-search/advanced-search-result, (accessed 11 October 2024).

³ RAC, *European fuel prices – Petrol and diesel prices in Europe*, 30 September 2024, www.rac.co.uk/drive/travel/advice/european-fuel-prices-petrol-and-diesel-prices-in-europe/, (accessed 11 October 2024).

⁴ Mechanic Base, *What is the capacity of a car's gas tank?*, 7 January 2023, www.mechanicbase.com/cars/average-gas-tank-size/, (accessed 11 October 2024).

The cost of fuel duty:

The stated government policy is that fuel duty should rise with inflation, however it has been frozen since 2011.⁵ The Conservative government in the last budget extended the freeze once again for 12 months. That government also extended the 5p fuel duty cut first implemented during the pandemic.⁶ However the new prime minister, Sir Keir Starmer, has refused to rule out a rise in fuel duty in the upcoming October budget.⁷ With a reported £22 billion black hole in the public finances, raising the rate at which fuel duty is levied could be announced in the next budget.⁸

Currently, UK fuel duty stands at £0.53 per litre for both petrol and diesel. All countries in the EU charge fuel duty although some charge disparate rates for petrol and diesel. The UK already has one of the highest levels of fuel duty compared to EU member states, including the highest level of fuel duty on diesel.

Unfreezing the fuel duty rate and increasing it in line with inflation will increase fuel prices further, making the UK an even greater outlier with its European counterparts in this area.

Moreover, any rise in fuel duty will have a disproportionate impact on the poorest in society. For 2021-22, duty on hydrocarbon oils and vehicle excise duty amounted to 3.2 per cent of the bottom quintile's disposable income in comparison to 0.8 per cent of the top quintile group.⁹

VAT on fuel duty:

Duty is not the only tax that is levied on fuel as it is also liable to VAT. VAT on fuel is charged after duty has been applied at a rate of 20 per cent. This means that VAT is taken on the cost of a litre of fuel, 60p and 63p for the average cost of petrol and diesel respectively, plus fuel duty of 53p, together. This inflated the amount of tax motorists pay on fuel. As a result, the VAT on fuel sits at 23p a litre for both petrol and diesel.

If VAT were charged before fuel duty was applied, then VAT on fuel would be 12p per litre for petrol and diesel. This would be an 11p saving per litre. Motorists would be paying £1.24 per litre of petrol and £1.28 per litre of diesel on average, in comparison to the current level of £1.35 and £1.39, respectively.

Data

Table 1: comparison of petrol and diesel duties for EU countries and UK^{10,11,12,13}

Country	Petrol duty per litre (pence)	Rank	Diesel duty per litre (pence)	Rank
Austria	41	20	34	20
Belgium	51	10	51	3
Bulgaria	31	27	28	27

⁵ Sky News, *Fuel duty freeze set to be extended again in budget*, 6 March 2024, www.news.sky.com/story/fuel-duty-freeze-set-to-be-extended-again-in-budget-13087584, (accessed 11 October 2024).

⁶ Ibid.

⁷ BBC News, *Fuel duty cut could be scrapped, says RAC*, 29 August 2024, www.bbc.co.uk/news/articles/cm2nrneym82o, (accessed 11 October 2024).

⁸ BBC News, *Is there a £22bn 'black hole' in the UK's public finances?*, 3 September 2024, www.bbc.co.uk/news/articles/cx2e12j4gz0o, (accessed 11 October 2024).

⁹ Office for National Statistics, *Effects of taxes and benefits on UK household income; table 8*, 18 July 2023, www.ons.gov.uk/file?uri=/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/theeffectsoftaxesandbenefitsonhouseholdincomefinancialyearending2014/financialyearending2022/etbreferencetablesfye2022correction2.xlsx, (accessed 11 October 2024).

¹⁰ HM Revenue & Customs, *Extension to the cut in fuel duty rates to March 2025*, 6 March 2024, www.gov.uk/government/publications/fuel-duty-extending-the-temporary-cut-in-rates-to-march-2025/extension-to-the-cut-in-fuel-duty-rates-to-march-2025, (accessed 14 October 2024).

¹¹ European Commission, *Taxes in Europe Database v4*, www.ec.europa.eu/taxation_customs/tedb/#/advanced-search/advanced-search-result, (accessed 11 October 2024).

¹² OFX, *Yearly Average Rates*, 2024, www.ofx.com/en-gb/forex-news/historical-exchange-rates/yearly-average-rates/, (accessed 14 October 2024).

¹³ Euro figures have been converted to British pound sterling using the OFX rate for 14 October 2024 of 0.851066.

Country	Petrol duty per litre (pence)	Rank	Diesel duty per litre (pence)	Rank
Croatia	39	23	33	21
Cyprus	37	24	34	18
Czechia	45	15	35	17
Denmark	58	5	40	9
Estonia	48	12	34	19
Finland	58	4	42	8
France	58	6	51	4
Germany	56	7	40	10
Greece	60	3	35	15
Hungary	33	25	31	24
Ireland	54	8	47	5
Italy	62	2	53	2
Latvia	43	17	35	14
Lithuania	40	22	35	16
Luxembourg	47	13	38	12
Malta	31	28	28	28
Netherlands	67	1	44	6
Poland	33	26	31	26
Portugal	49	11	38	11
Romania	41	21	37	13
Slovak Republic	44	16	31	23
Slovenia	45	14	42	7
Spain	43	18	32	22
Sweden	42	19	31	25
United Kingdom	53	9	53	1
United Kingdom ¹⁴	58	6	58	1
Average (excluding UK)	47		37	
Minimum	31		28	

Table 2: duty on hydrocarbon oils and vehicle excise duty as a percentage of gross income and disposable income by quintile group, 2021-22 (%)¹⁵

Country	Bottom	2nd	3rd	4th	Top	All individuals
Percentages of gross income	2.8	2.0	1.5	1.2	0.6	1.1
Percentages of disposable income	3.2	2.3	1.8	1.5	0.8	1.5

¹⁴ Impact if the government were to abolish the five per cent fuel duty cut introduced during the pandemic.

¹⁵ Office for National Statistics, *Effects of taxes and benefits on UK household income; table 8*, 18 July 2023, www.ons.gov.uk/file?uri=/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/datasets/theeffectsoftaxesandbenefitsonhouseholdincomefinancialyearending2014/financialyearending2022/etbreferencetablesfy2022correction2.xlsx, (accessed 11 October 2024).

Chart 1: fuel duty as a percentage of the average petrol price per litre in Europe¹⁶

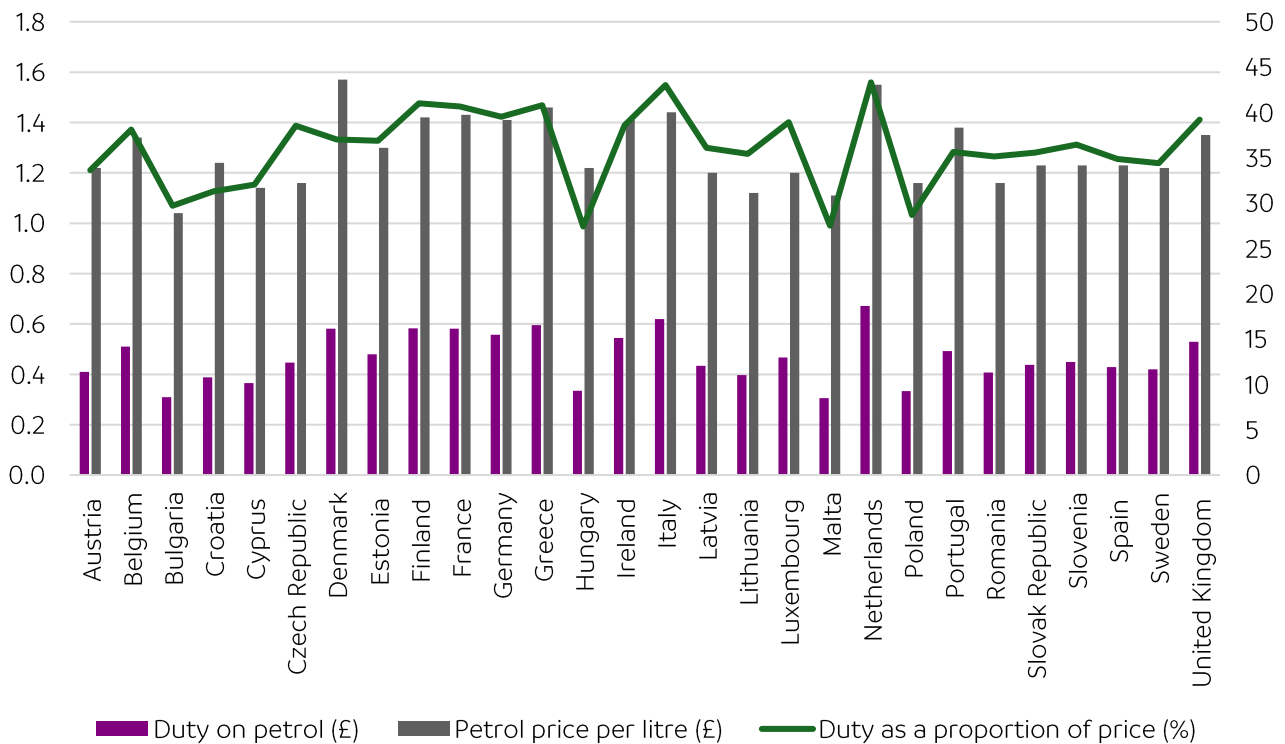


Chart 2: fuel duty as a percentage of the average diesel price per litre in Europe¹⁷



¹⁶ RAC, *European fuel prices – Petrol and diesel prices in Europe*, www.rac.co.uk/drive/travel/advice/european-fuel-prices-petrol-and-diesel-prices-in-europe/, (accessed 10 October 2024).

¹⁷ Ibid.