

Why the fuel duty cut is unlikely to be widely reflected at the pumps this week

The chancellor has slashed fuel duty to help ease record prices facing motorists and businesses, but it could be some time before the cut is reflected at the pumps.

Rishi Sunak has told MPs in his [spring statement](#) that the 5p a litre cut for petrol was to take effect from 6pm this evening.

But fuel retailers said the move might force them to take a loss, as the prices they pay to stock forecourt tanks already had fuel duty built in.

This means that customers are unlikely to see an immediate reduction in the price of petrol and diesel, as retailers will need to sell all of their remaining fuel – which had the full duty already paid – before they can resupply and start selling cheaper fuel purchased at a reduced rate.

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“Retailers still need to deplete their petrol and diesel stocks purchased before the duty cut, meaning that motorists won’t see a price change at the pumps immediately unless the Government backdates the duty cut to 1 March,” said Gordon Balmer, executive director of the Petrol Retailers Association (PRA).

Meanwhile, some have called for a cut to VAT to help drivers instead, because VAT is applied at point of sale and so would have an immediate effect.

The fuel duty cut raises the prospect of a rise in prices at

forecourts to account for the hit. Alternatively, experts say that retailers could absorb some or all of the duty cut themselves by not lowering their prices.

Fuel prices at record levels

The news comes as average fuel prices hit another record high this morning. Petrol is currently at £1.67 a litre, while diesel costs £1.79 a litre.

The cost of filling an average 55-litre family car with petrol is now more than £92 and nearly £99 for diesel. The £100 tank is now inevitable, according to the RAC.

Mr Balmer said that rising oil prices would also contribute to wiping out any savings from the fuel duty cut.

“Oil prices have risen again today, meaning that rising prices will see the 5p cut cancelled out almost immediately. While the Chancellor was speaking, the price of Brent crude went up by \$6 a barrel,” he said.

Meanwhile, a spokesperson for the RAC called the cut “something of a drop in the ocean.”

Reducing it by 5p will take prices back to where they were just over a week ago, the group added.

In response to the announcement on Wednesday morning, Asda has broken ranks with its rivals and said it will cut fuel prices by 6p per litre to ensure that savings are passed on to its customers.

Asda cuts fuel prices immediately

Supermarket giant Asda is able to take the hit in order to attract more customers, unlike independent petrol retailers.

In a statement, the company said: “Following the announcement by the chancellor of the exchequer just now, Asda has

confirmed it will pass the reduction in fuel duty announced in today's spring statement straight on to its customers.

"The supermarket will reduce the price at the pumps by 6p per litre which includes a 1p reduction in VAT."

The RAC argued that cutting VAT would have been a preferable way to assist drivers.

"Temporarily reducing VAT would have been a more progressive way of helping drivers as the tax is applied at the point the fuel is sold, removing any possibility of retailers taking some of the tax cut themselves to increase their profits," Mr Dennis said.

"It's also the case that the Treasury is benefitting hugely from the high fuel prices because of greater VAT revenue. The Chancellor is currently getting 28p a litre VAT on petrol and 30p on diesel – this of course comes on top of fuel duty as VAT is a tax on a tax."