HMRC - VATSC97200 - Bunkerfuel/Pre-Purchase

Under a Bunkerfuel scheme the card company buys stocks of fuel that it then delivers to a garage. The Pre-purchase scheme involves the fuel card company pre-purchasing stock from the garage. In both cases its fuel is stored with that of the garage in common tanks.

In resolving the supply position two non-VAT precedents apply. Indian Oil Corporation Ltd v Greenstone Shipping SA (The Ypatianna case) and South Australian Oil Company v Randall. These cases considered the ownership of stock which has been mixed with identical stock belonging to other traders (see also VATSC74600). In these circumstances the parties become owners of the stock as tenants in common. Although neither party owns any particular part of that stock, each party has a right to extract a quantity of stock equal to their contribution to the common whole. On this basis, when a Pre-purchase or Bunkerfuel card is offered in payment the fuel is supplied from the card company’s stock.

In the “Pre-purchase” and “Bunkerfuel” agreements a clause, although not essential, is usually added to the contract authorising the garage to act as the card company’s agent for the purposes of selling the card company’s fuel to its cardholders. There is usually some acknowledgement that the garage is principal when supplying from its own stock. This clause helps to clarify the contractual relationship between the parties.

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