ISSUE 01

EKW GROUP PETROLEUM NEWS

# NEWSLETTER

# LATEST NEWS IN THE **PETROLEUM** INDUSTRY

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# TIME TO **PAY** UP

**THE CONVIENCE AND PETROL INDUSTRY ARE NOW NOTICING THAT DRIVE OFFS AND NO PETROL PAYMENTS ARE COSTING THE INDUSTRY.**

At one point, fuel thieves were not taken seriously by police but recently with a rise in people not paying for their fuel, police have started reacting to the events. Last month Sunderland Echo revealed that police deployed a helicopter in their hunt for fuel thieves.

Police also state that on their websites, they say that when someone drives off without paying for fuel, it will record the crime but will not investigate because the registered keeper's details can be provided to a civil debt recovery agent. Likewise Kent police says retailers should collect the customer's name, address and reg details and give them a time to pay. Police advise that retailers should adopt the standard prodcedure such as those by BOSS (British Oil Security Syndicate).

Both small and large retailers have BOSS's Payment Watch scheme to rely upon. Colin Levy, head of retail operations at Certas Energy states "BOSS Payment Watch has been really effective for us. We now have an overall 97% recovery rate for NMoP, which has saved us tens of thousands of pounds. The BOSS service is definitely the best and simpliest scheme around".

### WHAT IS PAYMENT WATCH?

BOSS Payment Watch is a debt recovery scheme for fuel retailers. Payment Watch puts in place a co-ordinated system for recovering financial losses incurred by incidents where drivers fill up, claim to have no means of payment (NMoP) and subsequently fail to return to pay.

When an NMoP incident occurs the system starts with a process designed to encourage the motorist to explore possibilities for making payment eg payment by passenger, phone a friend etc. It's not always possible to resolve cases on the spot in this way and that is when the proven BOSS Payment Watch documentation can help.

Feedback from retailers who are already enjoying the benefits of BOSS Payment Watch membership is overwhelmingly positive.

They see more people return to pay than previously and, when drivers fail to return, our specialist debt recovery agents work hard on recovering monies owed. Overall, surveyed retailers have recouped over 80% of initial losses.

To participate in the BOSS Payment Watch services retailers need to be BOSS Payment Watch members.

Annual membership cost for a new member joining BOSS Payment Watch is £180 + VAT per site per annum in full or by direct debit at £15.00 + VAT per month after an initial payment of £60.00 + VAT to cover the cost of initial set up administration and the the first four months membership.

Membership renewal costs £180.00 + VAT in full or £15.00 + VAT per month by direct debit.

New membership includes a Payment Watch debt recovery scheme starter pack. Each pack contains a complete set of documentation for managing a Payment Watch scheme at one site.

### BENEFITS OF JOINING BOSS PAYMENT WATCH:

- Available to ALL fuel retailers on the UK mainland and in Northern Ireland.
- BOSS supplies a Payment Watch pack complete with a full set of documentation.
- Saves retailers time and effort in chasing no means of payment debt.
- Robust procedures for pursuing debt in the event that drivers do not pay.
- An easy process for drivers to settle their debt, even if not local.
- More than 80% of overall debt recovery regularly achieved.
- Multiple offenders identified and prosecution sought.
- Deters the professional criminal.
- Joining BOSS Payment Watch will mean there are fewer forecourts for offenders to hide.

# BE **AWARE**

Since 2016, fuel theft has increased by 11.5% meaning the average site will report losses of £4,000 per annum.

The Forecourt Eye was launched to prevent and deter crime through the use of digital software, automated messaging and high visible legal signs. So far since its launch, it has had a positive effect and claims that there is a 25% reduction in negative activity across its protected sites in the first year.

The forecourt Eye data also revealed that 21.% of al drive-offs are on false plates, so the system is now currently building up a databse of false plates.

## £31.11

THE AVERAGE VALUE OF A **FAILURE TO PAY** DRIVE-OFF REPORTED TO **BOSS**

The importance of BOSS in tackling forecourt crime is extensive. The organisation started over 25 years ago and now represents nearly one third of all uk forecourts. The extecutive director at BOSS states that drive-offs and NMoPs incidents cost retailers over £30 million a year but BOSS's robust guidelines and procudures help retailers with this massive problem.

"Our Payment Watch and Forecourt Watch sevices are the only GDPR complient service available to Britian's forecourt retailers. they have been designed to be sensitive to retail customers who genuinely make mistakes but are firm enough to deal with persistent offenders".

One of the main influences that have increased the amount of fuel theft is the rise in fuel prices. The director at BOSS explains;

"The most recent BOSS forecourt Crime index has risen to 132 during the first quarter of 2018. BOSS is now recovering and returning more than £1 million every year to retailers. In addition to this, recent research has found that our services are having an even bigger impact. Retailers operating the BOSS Payment Watch serivce are finding it acts as a deterrent against potential offenders and they are recovering £8.2 million from customers who return to settle debts".

### HELP TO PREVENT DRIVE OFFS AND NMoPs

- **Concealing Identity:** Look out for customers who are trying to cover their face.
- **Vehicle Identity:** Look out for vehicles where the number plate have been removed or covered up.
- **Quick Getaway:** Look out for whether any of the car doors are open while the car is being filled or whether the engine is still on.
- **Always Mention** Fuel: Always ask customers whether they have any fuel preventing them to claim they forgot and was never asked.

# OIL PRICE **REBOUND**

**SUPPLY WORRIES LEAD TO PRICE RECOVER.**

International oil prices in July fell at the start of the month, but recovered steadily as the effects of increased production from major suppliers were tempered by an uncertain forward supply picture.

UK transport fuels edged higher from July and Ice Brent futures ended the month at $74.97/BL.

The market shrugged off threats by Iran to close oil shipments through the straits of Hormuz in the Persian Gulf, which accounts for more than 20% of the global oil flows. The threat weas seen as unrealistic, even through it prompted typically robust rhetoric from the White House.

Global supply has been propped up by increased output in the last two months from the world's biggest three suppliers: Russia, the US an Saudi Arabia. Venezuelan output fell to its lowest in 70 years in June, and Libyan exports have been subject to delays and cancellation.

UK Motorists saw gasoline prices little change on the month, but may have to face further increases to catch up with gains on the Rotterdam spot market that took international prices to their highest point since the end of May. Diesel remains strong and edged higher in July on domestic and international markets, buoyed by deman from the commercial sector. Europe continues to rely heavily on imports from Asia and the US to keep markets balanced.

Gasoline demand from Europe to the US should start to fall as the summer season ends, offering some potential respite for UK consumers. The seasonality is unlikely to be extended to diesel markets, which are being driven by stronger economic ctivity cross Europe and the US, which grew its GDP by 4.1% in the second quarter- the fastest rate of growth for nearly four years.

Oil and gas production efficiency in the UK has increased for a fifth year in a row, according to an industry report.

The Oil and Gas Authority (OGA) said an additional 12 million barrels of oil equivalent were produced.

Production efficiency on the UK Continental Shelf rose to 74% in 2017 - a 1% improvement from the year before.

The authority said it helped contribute an additional 32,000 barrels of oil equivalent every day.

Production efficiency is the volume of oil and gas extracted in a year as a percentage of the potential maximum amount that is thought to be economically viable.

The report takes both the North and Southern North Sea into account, with three out of five regions seeing improvements in efficiency compared to the previous year.

In March, Oil and Gas UK revealed exploration in the North Sea sector was at its lowest level since the early 1970s, with only 94 wells drilled last year.

This was the first time the number had fallen below 100 since 1973.

The OGA's head of performance, planning and reporting, Loraine Pace, said: "I'm really pleased that PE has continued to improve year on year in the UKCS.

"The report shows that industry has worked hard to deploy new technologies and shift towards efficiency cultures which has helped to achieve the 1% improvement."

# THE ROAD TO **ZERO** STRATEGY

**THE ZERO STRATGY PROJECT COULD HAVE PROFOUND IMPLICATIONS FOR THE FUTURE OF THE FORECOURT SECTOR.**

The road to zero strategy is nothing short of the government's blueprint to phase out two of the bed rocks of the forecourt sector- petrol and diesel. The 'zero' refers to emissions from road vehicles, its method for achieving thisis prohibiting the sale of all new petrol and diesel cars by 2040, aiming for close to nil on the roads by 2050.

Transport secretary, Chris Grayling said: "The coming decades are going to be transformative for our motor industry, our national infrustructure and the way we travel. We are expecting our economy and society to experience profound change, which is why we have marked the future of mobility as one of the four grand challenges as part of our modern Industrial Strategy. The Road to Zero strategy sets out a clear path for Britain to be a world leader in the zero emission revolution- ensuring that the UK has cleaner air, a better environment and a stronger economy".

The PRA accepts the White Paper's ambition of ending the sale of new conventional petrol and diesel cars and vans by 2040 and seeing at least 50% and as many as 70% of new car sales and up to 40% of new van sales being ultra-low emission by 2030.

THE PRA ACCEPTED OTHER INITIATIVES IN THE STRATEGY SUCH AS:

- Use of VED (Vehicile Excise Duty) regime to incentivise reductions in emissions.
- An Electric Vehicle Energy Taskforce to bring together the energy and automotive industries.
- A £400 million investment fund to encourage charging.
- Charge points in new homes and on new street lighting columns where appropriate.
- Making a xommon minimum method of accessing public charge points mandatory.
- Allowing recharging without a pre-existing contract.

However, there is some issues with the Automated and Electric Vehicles Act such as forcing charging points to be made available at motorway service areas may not be appropriate for the cars, vans, and lorries using those services areas. In addition to this, the PRA Chairman has stated he does not condem granting powers to majors to direct 'large fuel retailers' to provide electric charging points. He states, "It should no be up to the government to decide how a fuel supplier chooses how much of a particular fuel to supply.

"FUEL SUPPLIERS NEED THEIR **FREEDOM** TO ADAPT TO **MARKET CIRCUMSTANCES"**

The PRA Chairman, Brian Madderson also stated that he was unsure whether the £400 million investment fund included in the Road to Zero would be accessible for forecourt operators wanting to include these facilities at their sites. With demand so low, he said, they needed an incentive to invest.

The association of Convenience Stores backed up these arguements with chief exectutive James Lowman saying "There are potentially thousands of petrol forecourts in the UK that could come under the government's definition of 'large fuel retailer' many of which will not have the facilities in place in store, or the space of their forecourt to be able to meet the needs of customers that need to stay for rolonged periods of time".

While the strategy seeks to eliminate fossil fuels in the longer term, it also aims to reduce emissions from vehicles already on the roads and this too could impact forecourts. One way suggested in the strategy is increasing the bioethanol content in petrol by introducing E10 and a consultation on this have been launched by Transport Minister Jesse Norman.

Both in the short term and the long term, decades ahead, looks like the forecourt sector will be facing major challenges as the UK strives to develop a zero emissions transport sector.

**"THOUSANDS** OF PETROL FORECOURTS IN THE **UK** COULD COME UNDER THE GOVERNMENT'S DEFINITIONS OF **'LARGE FUEL RETAILER".**

## ROAD TO ZERO KEY POLICIES:

Development of extensive electric charging infastucture to drive take-up of EVs. In addition to a £400 million Charging Infrastructure Investment Fund, the Transport Secretary has the power to require 'large petrol retailers' to install electric chargin gand/or hydrogen refuelling facilities.

**By 2030:** A minimum of 50% and up to 70%, of new car sales and up to 40% of new van sales will be ultra low emission.

**By 2040:** The sale of new petrol and diesel cars and vans will be prohibited. By then, the strategy forcasts the majority of new cars and vans sold will be 100% zero emission and all new cars and vans will have significant zero emission capability.

**By 2050:** Most cars and vans will be zero emission.

# WHY IT'S HARD **ACCOUNTING** FOR THE **UNEXPECTED**

Spare a moment to sympathise with the BP dealers who've had two rather unfortunate experiences related to plastic money in recent months. First, at the end of May, many of them discovered that they owed the oil company significant amounts of money for Allstar card-handling charges over the previous three years. Then, in early July, they suffered a failure of EFT systems which caused complete chaos on around 1,000 forecourts. These things happen- and not only to BP dealers.

While the immediate impact of either happening is pretty obvious they also have a later impact when it comes to trying to account for them in the site's records.

At this point some readers may wonder how any large, modern, organisation can fail to charge its customers for anything over three years and how the customers can fail to notice it happening for just as long. As for why site owners apparently fail to spot the fact that they havent been charged for a service that they've recieved.

An accountant who's use to the specific paperwork at each fuel site is likely to notice that some regular charge hasn't been involved for a while. They'll then ask the site operator as far as the oil company is concerned.  The accountant might then try to accrue for the missing charges - i.e. they'll try to calculate the 'missing' cost and put it into the accounts to keep the profit and loss report realistic. However, after several months or quarters like this, the accountant can have accurued quite a significant balance which just keeps growing. If there's no sign of any invoices actually being recieved, there's the possiblilty that perhaps the system has changed- that in fact there's is no real charge to come.

The crunch time for reviewing these accruals is at the site's financial year end. The tax accountants and HMRC both look carefully at accruals on a business' balance sheet since they can be there merely to depress the reported profits and tax bill. If a few months or quarters have passed since the year end and there's still been no sign of any invoices arriving, there's a natural suspicion that the accrual may be unnecessary.

What makes the whole process uncertain is a lack of clear information. Taking the BP/ Allstar issue as an example: how many dealers would know exactly what charges they should have been paying for Allstar transactions- as distinct from say Agency transactions whuch may well form part of the same monthly statement? In other words, if the dealer still sees some form of EFT-related charge appearing, are they likely to notice that is doesnt include a particular element? Chances are they they wont.

"For the **affected businesses**, if no accrual was made for these fees, they would have **over-stated** their annual profits and may well have paid **too much tax**"

This  complaint about lack of information has been heard again from those dealers who've found out that they'll be debited for the outstanding fees over three months. There's apparently little in the way of calculations that they could check against site records- just a statement saying they owe '£X'. Over the years, oil companies have frequently produced statements of account or remittance advice without making the underlying invoices available- particularly when there's no degree of 'controversy' surrounding the charges.

For the affected businesses, if no accrual was made for these fees over the last three years, they would have over-stated their annual profits for that time; and therefore may well have paid

# **MAKING TAX DIGITAL** FOR **VAT-REGISTERED** BUSINESSES

Making tax digital (MTD) is part of the government's plan to make it easier for individuals and businesses to get their tax correct and keep on top of their affairs resulting into the end of annual tax return for millions. Everyone will now have access to their own personalised digital tax account which are being regularly expanded and improved. This is part of HMRC's plan to become one of the most digitally advanced tax administrations in the world, in order to modernise the tax system.

## WHO DOES THIS AFFECT?

This will apply to all VAT registered businesses and organisations with a turnover about the VAT threshold of £85,000. This includes; unincorporated businesses , Partnerships, Companies, LLPs, trust, non-UK businesses registered for UK VAT and charities.

VAT registered businesses with a turnover below the £85,000 threshold can opt in to MTD and file their VAT returns using MTD compatible software however, there is no obligation to do so.

When MTD for VAT starts you consider the 12 months to the businesses' potential start date for MTD for VAT when deciding whether the requirements apply.

Eventually, MTD for VAT may be extended to all VAT registered businesses, but this will not happen beforeApril 2020.

## WHEN DOES IT START?

Businesses which this applies to, will have to keep digital Records and submit VAT returns using functional compatible software from the start of their first VAT return period beginning on or after 1 April 2019.

The digital records businesses must keep and the ways to record transactions digitally in certain special circumstances what counts as 'functional compatible software', and when software programs do and do not need to be digitally linked where a combination of programs is used.

The new rules have effect from 1 April 2019, where a taxpayer has a 'prescribed accounting period' which begins on that date, and otherwise from the first day of a taxpayer's first prescribed accounting period beginning after 1 April 2019.

## EXEMPTIONS

There are several exemptions for MTD for VAT. If any of the following exemptions apply to you, the VAT helpline is contactable on 0300 200 3700.

There is no specific age at which the exemption applies; each case will be taken on its merits.

Location coversthose who cannot obtain access to broadband because
of where they are located. The exemption will not apply to those who could sign up for broadband but have not done so.

Digital Records: certain records need to be functionally compatible with the software under MTD and be preserved for up to six years. These include: Designatory data, Supplies made and Supplies received.

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