

Frequently asked questions regarding VAT changes

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1 Preamble

Please note that the law has not yet been passed by the German Bundestag. Also Ratepay does not give tax and legal advice on this matter. The following FAQs serve as an orientation how the VAT adjustment is handled/could be handled. In particular the liability of Ratepay is excluded in this respect. Ratepay recommends to always obtain qualified legal advice in case of existing legal uncertainty.

2 What is it about?

Within the framework of an economic stimulus and crisis management package, the German government has announced a temporary reduction of VAT rates.

When does the new VAT rates apply?

From 1 July to 31 December 2020, the standard VAT rate will be reduced from 19 % to 16 %, and the reduced VAT rate will be lowered from 7 % to 5 %.

Will the VAT tax rate be automatically adjusted?

No. Ratepay must not adjust the VAT tax rate automatically.

In general: Confirmation Deliver (CD) needs to have the same value as Payment Request (PR).

3 Which changes must be done?

Can orders with the new tax rate send to Ratepay?

Yes. The new tax rates can be send to Ratepay with Confirmation Deliver from 1st July without difficulty.

Exeption: Should an order from June send in July it is important to send the same gross price to Ratepay as in Payment Request (PR) or send Payment Change - Change Order before Confirmation Deliver (CD).

How could changes to VAT adjustment be handled in the transition phase (buy in June and shipment in June)?

Changes can be send to Ratepay by using following options:

- a) Same gross price
- b) Changed gross price with Payment Change - Change Order
- c) Changed gross price with Payment Change - Change Order in ORCA

a) Same gross price

With operation Confirmation Deliver (CD) VAT can be changed as long as gross price is the same as in Payment Request (PR).

Example: Buy in June 2020 - Shipment in July 2020

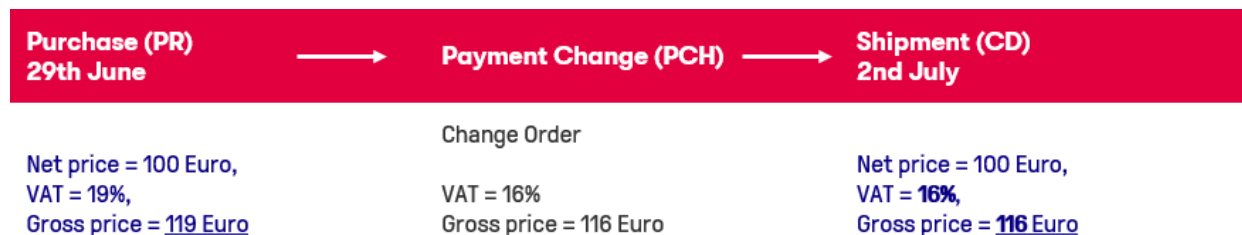
Purchase (PR) 29th June	→	Shipment (CD) 2nd July	→	Payment Change (PCH)*
Net price = 100 Euro, VAT = 19%, Gross price = <u>119 Euro</u>		Net price = 102,59 Euro , VAT = 16% , Gross price = <u>119 Euro</u>		Credit Discount = 3 Euro

* Note: To pass on the price reduction to the buyer, you can send a Payment Change - Credit to Ratepay. The credit will be refunded to the buyer.

b) Changed gross price with Payment Change - Change Order

The transaction can be adjusted by using the Payment Change - Change Order prior shipping (Confirmation Delivery - CD). You need to adjust the gross price and the VAT.

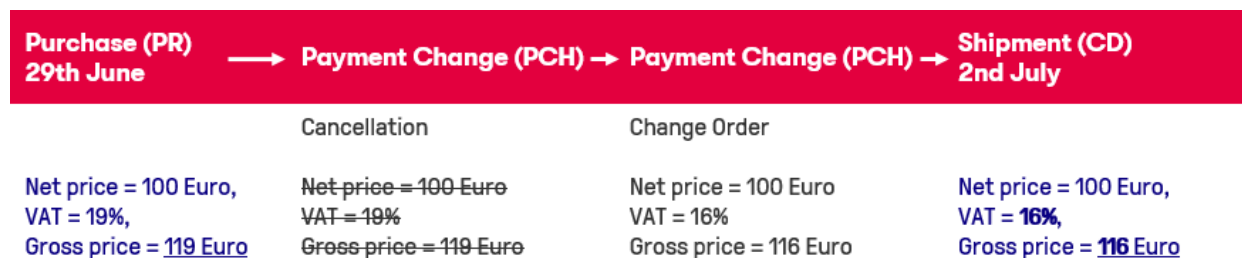
Example: Buy in June 2020 - Shipment in July 2020



c) Changed gross price with Payment Change - Change Order in ORCA*

The transaction can be adjusted by using the Payment Change - Cancellation and Change Order prior shipping (Confirmation Delivery). In order to do this you need to cancel the item(s) and add the new item(s) with the adjusted gross price and the VAT rate.

Example: Buy in June 2020 - Shipment in July 2020



* Note: As before if there are changes done in ORCA all further changes and Ratepay operations must be also done with ORCA. Please also note, that in this case probably your own systems (e.g. inventory management) are not affected by these changes and relevant information are not passed further.

I do have no possibility to send a Payment Change - Change Order to adjust prices / VAT. Which other options do I have?

Please see previous question answer a) „Same gross price“ and c) „Changed gross price with Payment Change – Change Order in ORCA“.

How can orders be changed regarding VAT and price adjustments, if there are partial deliveries (bought in June, send in July)?

Important: Gross price in June must match gross price in July in order to process the transaction. You have following options:

a) Same gross price – with new VAT and updated Net price

b) Same gross price – with old VAT

a) Same gross price – with new VAT and updated Net price

Purchase (PR) in June	→ Shipment (CD) item 1 – 29th June	→ Shipment (CD) item 2 – 2nd July	→ Payment Change* (PCH)
item 1: Net price = 200 Euro, VAT = 19%, Gross price = <u>238 Euro</u>	Net price = 200 Euro, VAT = 19%, Gross price = <u>238 Euro</u>		Credit Discount = 3 Euro
Item 2: Net price = 100 Euro, VAT = 19%, Gross price = <u>119 Euro</u>		Net price = 102,59 Euro , VAT = 16% , Gross price = <u>119 Euro</u>	

Shipping item 1 in June 2020: → nothing change

Shipping item 2 in July 2020: → **both net price and VAT changes. Gross price stays the same.**

* Note: To pass on the price reduction to the buyer, you can send a Payment Change - Credit to Ratepay. The credit will be refunded to the buyer.

b) Same gross price – with old VAT

Purchase (PR) in June	→ Shipment (CD) item 1 – 29th June	→ Shipment (CD) item 2 – 2nd July	→ Payment Change* (PCH)
item 1: Net price = 200 Euro, VAT = 19%, Gross price = <u>238 Euro</u>	Net price = 200 Euro, VAT = 19%, Gross price = <u>238 Euro</u>		Credit Discount = 3 Euro
Item 2: Net price = 100 Euro, VAT = 19%, Gross price = <u>119 Euro</u>		Net price = 100 Euro, VAT = 19%, Gross price = <u>119 Euro</u>	

Shipping item 1 in June 2020: → nothing change

Shipping item 2 in July 2020: → **nothing change**

* Note: To pass on the price reduction to the buyer, you can send a Payment Change - Credit to Ratepay. The credit will be refunded to the buyer.

What should be considered in transferring return shipments after 1st of July?

In general: Return shipments must have the same tax rate as send with Confirmation Deliver (CD). If a delivery happens in June, the returned item in July still have the old tax rate (19%). If a delivery happens in July, the return must have the new tax rate (16%).

What happens if Ratepay still receives data with 19% VAT after 1st July?

The transactions will be still processed by Ratepay as long as the gross price at Confirmation Deliver (CD) will match the Payment Request (PR).

How will I know if operations (e.g. Confirmation Deliver) are beeing processed/declined.

If a Ratepay operation cannot be processed, you will get an error message.

How can the VAT change starting in July passed to the customer if the order was already in June?

The optimal solution is to use the Payment Change - Change Order before Confirmation Deliver (CD) of the order.

- a) Using Payment Change - Change Order**
- b) Using an additional discount**
- c) Using Payment Change in ORCA**

a) Using Payment Change - Change Order

In order that customers profit from VAT reduction the Payment Change - Change Order needs to be transmitted with new values to Ratepay before Confirmation Deliver (CD).



Note: If Confirmation Deliver (CD) is sent before changing the order (Payment Change - Change Order), the transaction cannot be processed and an error message will be sent by Ratepay.

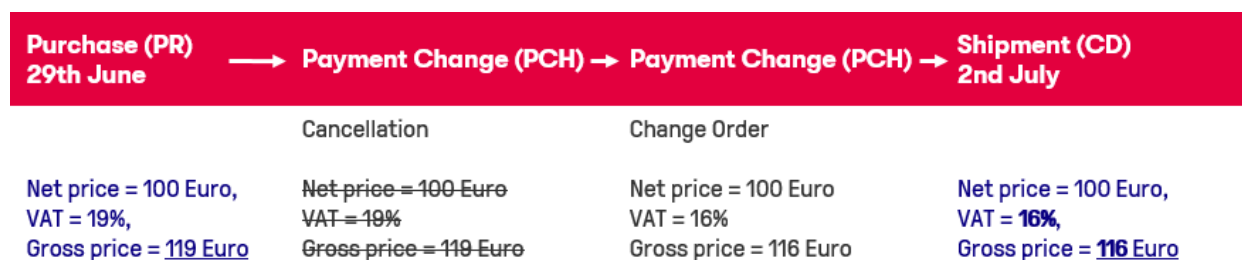
b) Using an additional discount

The VAT tax rate change can also be given to the customer by using the Ratepay operation Payment Change - Credit after shipping.



c) Using Payment Change in ORCA*

To let your customers profit from VAT reduction from 1st July you need to Cancel according items and add them again with new values (VAT, gross price).



* Note: As usual if there are any changes done in ORCA all further changes and Ratepay operations (e.g. Payment Change - Return) must be done with ORCA as well. Please consider as well, that changes in ORCA may not automatically affect your other systems (e.g. inventory management).

4 How does VAT changes effect Ratepay fees?

Does the VAT reduction is also valid for Ratepay fees?

Yes. Also Ratepay fees are effected by this change. Fees until 30th June are invoiced with 19% and fees from 1st July are invoiced with 16% VAT rate.

Why are there different tax rates in my invoice?

Within the framework of an economic stimulus and crisis management package, the German government has announced a temporary reduction of VAT rates. From 1st July the reduced VAT rate of 16% is calculated. All transactions until 30th June will be billed with 19% VAT rate.

Wich VAT rates apply for Ratepay fees?

Ratepay invoices its fees with 19% VAT until 30th June and 16% from 1st July. From 1st January 21 the standard VAT of 19% is valid again.

Which VAT rate is valid for Ratepay disagio?

The Ratepay disagio is invoiced with 19% VAT rate until 30th June and 16% from 1st July until 31st December.

How Which effect does the VAT change have on payment change fees?

The Ratepay payment change fee is invoiced with 19% VAT rate until 30th June and 16% from 1st July until 31st December.

To support you in the transistion phase all payment change fees with type "change order" will not be invoiced for the month of July.

Which VAT rate is valid for Ratepay transaction fees?

The Ratepay transaction fee is invoiced with 19% VAT rate until 30th June and 16% from 1st July until 31st December.

Because of the VAT adjustment they will be an unusual increase of payment changes. Is it possible to get the extra fees refunded?

To support our merchants, Ratepay will not charge the payment change fees with type "Change Order" in the month of July.

Will there be changes in the settlement file?

The settlement file format and content will not change. The Ratepay fees will be charged with 19% VAT until the 30th June and 16% from 1st July.

Will there be changes in the clearing file?

The clearing file format and content will not change. The Ratepay fees will be charged with 19% VAT until the 30th June and 16% from 1st July.