

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. As of 1.1.2021 the previous tax rates are valid again.

When does the previous VAT rates apply again?

As of 1 January 2021, the standard VAT rate will be changed from 16 % to 19 %, and the reduced VAT rate will be changed from 5 % to 7 % again.

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 tax rates be changed afterwards?

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

Exemption: Should an order from December 2020 send in January 2021 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 December and shipment/ delivery in January)?

Changes can be send to Ratepay by using following options:

Using Payment Change – Change Order

- a) Same gross price (preferred option)
- b) Increased gross price

Using Payment Change in ORCA

- c) Same gross price (preferred option)
- d) Increased gross price

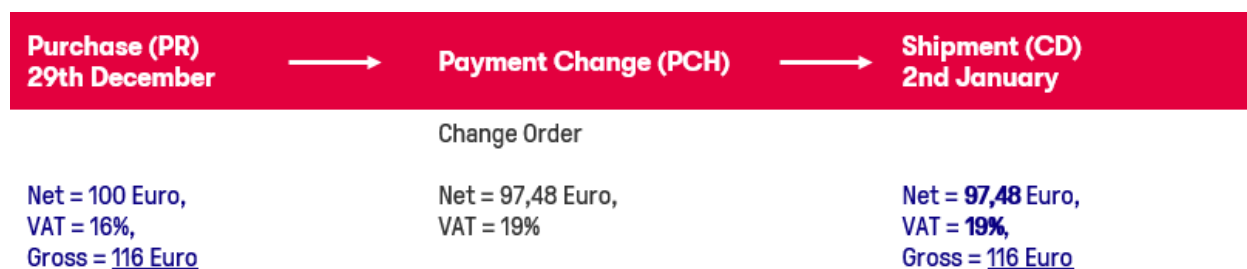
Using Payment Change - Change Order

You can send your changes of transactions with help of Payment Change - Change Order.

a) Same gross price

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

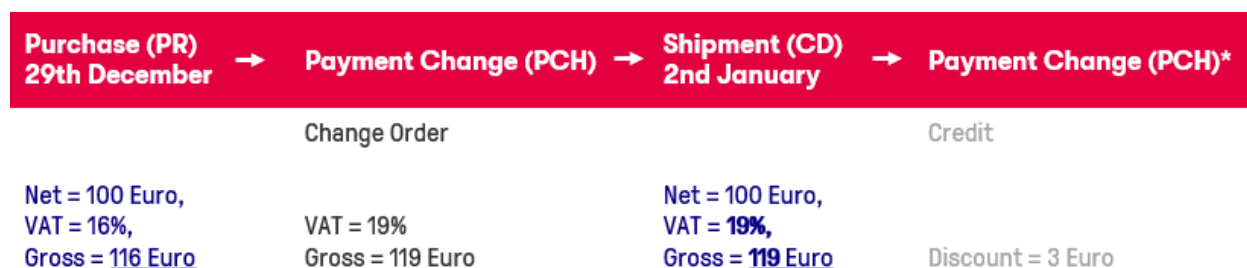
Example: Purchase in December 2020 – Shipment in January 2021



b) Increased gross price

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: Purchase in December 2020 – Shipment in January 2021



Using Payment Change in ORCA

Are you not able to use "Payment Change - Change Order", you do have the possibility to submit your changes in ORCA. ORCA is using Payment Change with help of a cancellation of an transaction followed by adding the items again with the new prices. If you do not have access to ORCA we are happy to provide you with your login data.

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.

c) Same gross price

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 **net price** and the **VAT** rate.

Example: Purchase in December 2020 – Shipment in January 2021

Purchase (PR) 29th December	→	Payment Change (PCH)	→	Payment Change (PCH)	→	Shipment (CD) 2nd January
		Cancellation		Change Order		
Net = 100 Euro, VAT = 16%, Gross = <u>116 Euro</u>		Net = 100 Euro , VAT = 16% , Gross = 116 Euro		Net = 97,48 Euro, VAT = 16%, Gross = 116 Euro		Net = 97,48 Euro , VAT = 19% , Gross = <u>116 Euro</u>

d) Increased gross price

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: Purchase in December 2020 – Shipment in January 2021

Purchase (PR) 29th December	→	Payment Change (PCH)	→	Payment Change (PCH)	→	Shipment (CD) 2nd January	→	Payment Change (PCH)*
		Cancellation		Change Order				Credit
Net = 100 Euro, VAT = 16%, Gross = <u>116 Euro</u>		Net = 100 Euro , VAT = 16% , Gross = 116 Euro		Net = 100 Euro, VAT = 19%, Gross = 119 Euro		Net = 100 Euro , VAT = 19% , Gross = <u>119 Euro</u>		Discount = 3 Euro

* Note: To pass on the price reduction to the buyer, you can send a Payment Change "Credit" to Ratepay.

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 section "Using payment change in ORCA" answers c) "same gross price" and d) "increased gross price".

How can orders be changed regarding VAT and price adjustments, if there are partial deliveries (bought in December, send both in December 2020 and January 2021)?

Important: Gross price in December must match gross price in January in order to process the transaction. You have following options, if the customer ordered in December, but there is a partially delivery in December and in January:

Example: Purchase in December 2020

item 1 = Net = 200 Euro, VAT = 16%, Gross = 232 Euro → Shipping in December 2020

item 2 = Net = 100 Euro, VAT = 16%, Gross = 116 Euro → Shipping in January 2021

a) Same gross price – with new VAT and updated net price in January

Purchase (PR) in December	→	Purchase (PR) 29th December	→	Payment Change (PCH)	→	Shipment (CD) 2nd January
Item 1: Net = 200 Euro, VAT = 16%, Gross = <u>232 Euro</u>		Item 1: Net = 200 Euro, VAT = 16%, Gross = <u>232 Euro</u>		Change Order		
Item 2: Net = 100 Euro, VAT = 16%, Gross = <u>116 Euro</u>				Item 2: Net = 97,48 Euro, VAT = 19%		Item 2: Net = 97,48 Euro , VAT = 19% , Gross = <u>116 Euro</u>

Shipping item 1 in December 2020:

Net price = 200 Euro, VAT = 16%, gross price = 232 Euro → nothing changes

Shipping item 2 in January 2021:

Net price = 97,48 Euro, VAT = 19%, gross price = 116 Euro → **both net price and VAT changes. Gross price stays the same.**

b) Increased gross price – with discount afterwards in January

Purchase (PR) in December	→	Purchase (PR) 29th December	→	Payment Change (PCH)	→	Shipment (CD) 2nd January	→	Payment Change (PCH)*
Item 1: Net = 200 Euro, VAT = 16%, Gross = <u>232 Euro</u>		Item 1: Net = 200 Euro, VAT = 16%, Gross = <u>232 Euro</u>		Change Order				Credit
Item 2: Net = 100 Euro, VAT = 16%, Gross = <u>116 Euro</u>				Item 2: VAT = 19% Gross = 119 Euro		Item 2: Net = 100 Euro, VAT = 19% , Gross = <u>119 Euro</u>		Discount = 3 Euro

Shipping item 1 in December 2020:

Net price = 200 Euro, VAT = 16%, Gross price = 232 Euro → nothing changes

Shipping item 2 in January 2021:

Net price = 100 Euro, VAT = 19%, gross price: 119 Euro → **both gross price and VAT changes. Net price stays the same.**

* Note: To pass on the price reduction to the buyer, you can send a Payment Change – “Credit” to Ratepay.

What should be considered in transferring return shipments after 1st January 2021?

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

What happens if Ratepay still receives data with 16% VAT after 1st January 2021?

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 customer be assured to still profit from the VAT decrease, if the purchase was in December 2020, but the shipping can first take place in January 2021?

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

Using Payment Change – Change Order

- a) Same gross price with reduced net price
- b) Increased gross price with discount afterwards

Using Payment Change in ORCA

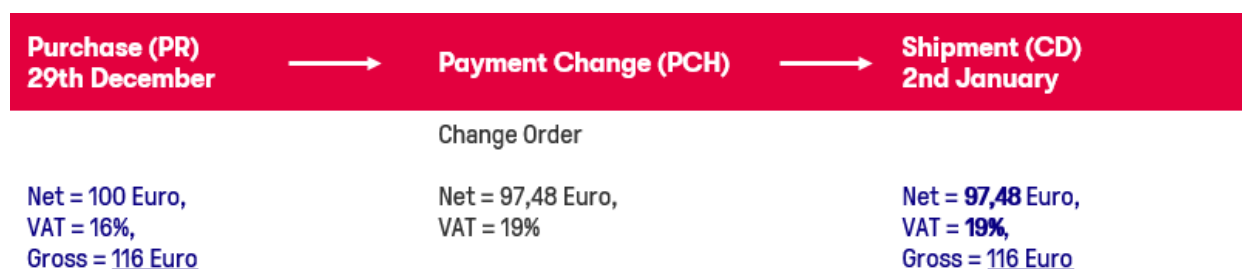
- c) Same gross price with reduced net price
- d) Increased gross price with discount afterwards

Using Payment Change - Change Order

a) Same gross price with reduced net price

In order that customers still can profit from VAT reduction for their purchases in December the Payment Change - Change Order needs to be send with new values to Ratepay before Confirmation Deliver (CD).

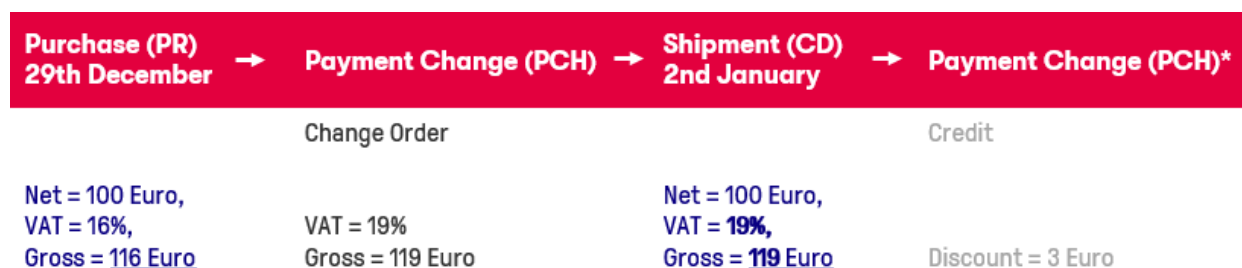
Example: Purchase in December 2020 – Shipment in January 2021



b) Increased gross price with discount afterwards

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

Example: Purchase in December 2020 – Shipment in January 2021



Using Payment Change in ORCA

Should the Ratepay operation Payment Change – Change order technically not be implemented, there is the possibility to use ORCA. There you use it with help of operation “Cancellation” and “Change Order” items of a transaction.

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.

c) Same gross price with reduced net price

In order that customers still can profit from VAT reduction for their purchases in December the net price must be reduced. Therefore you must do following changes on the order before Confirmation Deliver (CD). First send a “Cancellation” and then add the order again with new **net** price and adjusted VAT.

Example: Purchase in December 2020 – Shipment in January 2021

Purchase (PR) 29th December	→	Payment Change (PCH)	→	Payment Change (PCH)	→	Shipment (CD) 2nd January
		Cancellation		Change Order		
Net = 100 Euro, VAT = 16%, Gross = <u>116 Euro</u>		Net = 100 Euro , VAT = 16% , Gross = 116 Euro		Net = 97,48 Euro, VAT = 16%, Gross = 116 Euro		Net = 97,48 Euro , VAT = 19% , Gross = <u>116 Euro</u>

d) Increased gross price with discount afterwards

To let your customers still profit from VAT reduction for purchases in December 2020 with shipping in January 2021 you can discount the gross price by using the Ratepay operation Payment Change “Credit” after shipment.

Example: Purchase in December 2020 – Shipment in January 2021

Purchase (PR) 29th December	→	Payment Change (PCH)	→	Payment Change (PCH)	→	Shipment (CD) 2nd January	→	Payment Change (PCH)*
		Cancellation		Change Order				Credit
Net = 100 Euro, VAT = 16%, Gross = <u>116 Euro</u>		Net = 100 Euro , VAT = 16% , Gross = 116 Euro		Net = 100 Euro, VAT = 19%, Gross = 119 Euro		Net = 100 Euro , VAT = 19% , Gross = <u>119 Euro</u>		Discount = 3 Euro

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 between 1st July and 31st December 2020 are invoiced with 16% and fees from 1st January 2021 are invoiced with 19% 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 before 1st July 20 and after 31st December 20 will be billed with 19% VAT rate.

Which VAT rates apply for Ratepay fees?

Ratepay invoices its fees with 19% VAT rate until 30th June and 16% from 1st July until 31st December 20. From 1st January 21 the standard VAT rate 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 2020 and as of 1st January 2021. Between 1st July until 31st December 2020 it is 16%.

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

The Ratepay payment change fee is invoiced with 16% VAT rate until 31st December 20 and with 19% from 1st January 21.

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

Which VAT rate is valid for Ratepay transaction fees?

The Ratepay transaction fee is invoiced with 19% VAT rate until 30th June 2020 and as of 1st January 2021. Between 1st July until 31st December 2020 it is 16%.

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 you as a merchant, Ratepay will not charge the payment change fees of type "Change Order" in the month of January 2021.

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 2020 and as of 1st January 2021. Between 1st July and 31st December it will be shown with 16% in the settlement file.

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 2020 and as of 1st January 2021. Between 1st July and 31st December it will be shown with 16% in the clearing file.