



Avangate Feature Guide

EU VAT Regulations Changes Starting with January 2015

Updated March 2016

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1 Introduction to the 2015 VAT regulation changes

Starting with the 1st of January, 2015, a new set of European Union regulations for VAT (Value Added Tax) will come into effect, directly impacting suppliers and customers of telecommunications, broadcasting and electronic services located in the EU.

At the moment of writing this document, when the aforementioned type of services are supplied to non-taxable persons, VAT is accounted for by the **supplier** based on its location. Per the new regulations, any telecommunications, broadcasting or electronically delivered services sold by suppliers located in the EU will be taxable in the Member State where the **customer** is established, has a permanent address or normally resides.

Non-EU companies providing electronic services to customers in multiple EU countries are encouraged to use MOSS (Mini One-Stop Shop) to collect and distribute VAT in an easier manner.

2 What is MOSS?

The Mini One-Stop Shop, or MOSS, is a new procedure introduced by the European Commission that allows non-EU companies that provide electronic services to customers in the EU to register for VAT in only one EU country, regardless of how many EU countries they are selling to. That country will collect and distribute VAT on behalf of all the other countries. VAT will be charged at the corresponding rate for each customer's country.

3 Impact on your company

Because you're working with Avangate, **your company** will automatically comply with the new VAT regulations starting with 2015. There are no additional requirements for you. As an e-commerce services provider, Avangate is fully responsible for the fiscal and legal compliance.

4 Impact on Avangate

As a provider of electronic services, Avangate will comply to the new regulations starting with January 2015. At the moment of writing this document, EU customers are charged the 21% Dutch VAT rate for Avangate services, since our company is legally based in the Netherlands. As of 1st of January 2015, all of the purchases made by EU shoppers will be charged a VAT rate according to the country they belong in.



5 Impact on the Avangate Affiliate Network

The 2015 VAT regulations changes do not impact companies and affiliates enrolled in the Avangate Affiliate Network.

6 Impact on Channel Manager Models

6.1 Impact on the Reseller Model

Once the 2015 VAT regulations are implemented, VAT rates will be calculated according to your partners' country VAT rates.

6.2 Impact on the Service Provider Model

The VAT regulations changes do not affect the way you work with your partners. You and your partners are solely responsible for managing the VAT rates.



7.1 Supplies into or from European Union countries

Type of service	VAT
Electronic services from: <ul style="list-style-type: none"> • outside the EU to a customer in the EU • inside the EU to a customer outside the EU 	<ul style="list-style-type: none"> • Country where customer belongs (has their main business or fixed premises, their permanent address or usually lives).

EU Business supplying to	VAT
<ul style="list-style-type: none"> • Business or consumer outside the EU 	<ul style="list-style-type: none"> • Usually no EU VAT charged <p>IMPORTANT: If the service is effectively used & enjoyed in an EU country, that country can decide to levy VAT.</p>

Non - EU Business supplying to	VAT
<ul style="list-style-type: none"> • Business in the EU 	<ul style="list-style-type: none"> • No VAT charged
<ul style="list-style-type: none"> • Consumer in the EU – telecom or broadcasting services 	<ul style="list-style-type: none"> • VAT charged in the EU country where the service is effectively used and enjoyed.
<ul style="list-style-type: none"> • Consumer in the EU – electronic services 	<ul style="list-style-type: none"> • VAT charged in the EU country where that consumer belongs (is registered, has their permanent address or usually lives)



Type of service	VAT
Telecom/broadcast/electronic services supplied within the EU	<ul style="list-style-type: none">• B2B – EU country where the customer belongs• B2C – EU country where the supplier belongs



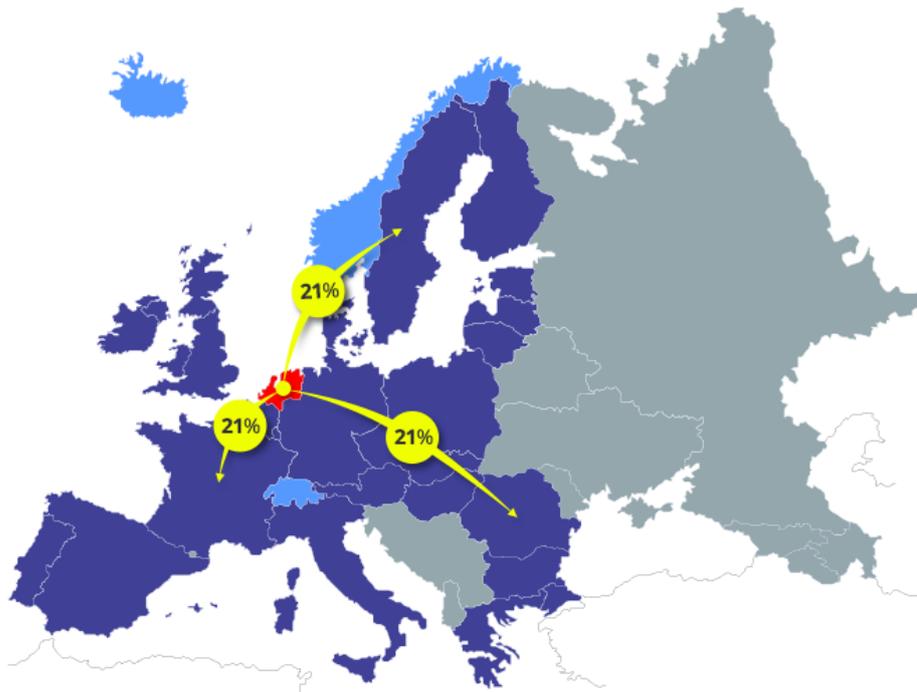
8 Before regulation changes

An EU based customer purchasing a service from Avangate is charged the Dutch VAT (21%) regardless of the country where the customer resides.

9 European countries with special tax status

Sales made by Avangate B.V. to customers in **Iceland**, **Norway** and **Switzerland** are subject to each country's VAT rate. These three countries are not part of the EU. The VAT rate for these countries are:

- Iceland: 24%
- Norway: 25%
- Switzerland: 8%

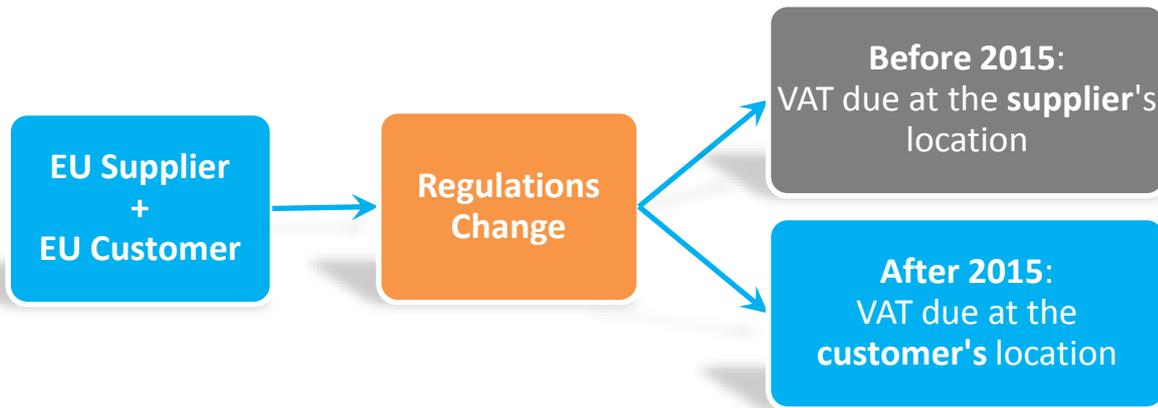


- EU Countries
- NON-EU Countries
- NON-EU Countries with special status
- Avangate HQ



10 2015 VAT Regulation Changes Cheat Sheet

You can use the cheat sheet below as a quick reference for the changes that will be implemented in 2015.



11 New Regulations – From 1st of January 2015

IMPORTANT: Starting with the 1st of January 2015, telecommunications, broadcasting and electronic services will **always be taxed in the country where the customer is located**. This change applies in the following cases:

11.1 Whether the customer is a business or a consumer

- If the customer is a business (taxable person), the VAT is charged in either the country where it is registered or the country where it has its fixed premises receiving the service.
- If the customer is a consumer (non-taxable person), the VAT is charged in the country where they are registered, have their permanent address or usually live.

11.2 Whether the supplier is based in the EU or outside the EU

EU Business supplying	VAT
A business in an EU country	No VAT charged. Customer must account for the tax (reverse-charge mechanism).
A consumer in an EU country	VAT charged in the EU country where the customer belongs.
A business or a consumer outside the EU	No EU VAT charged. IMPORTANT: If the service is effectively used & enjoyed in an EU country, that country could decide to levy VAT.

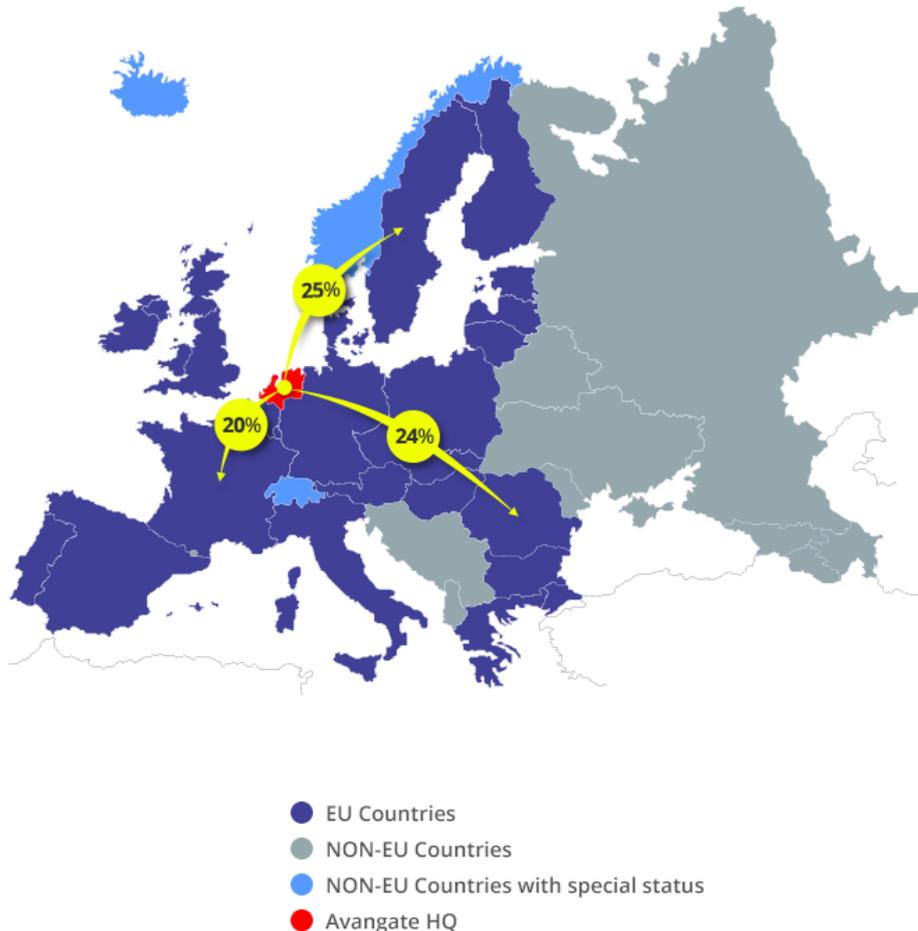


Non - EU Business supplying	VAT
A business in an EU country	No VAT charged. Customer must account for the tax (reverse-charge mechanism).
A consumer in an EU country (telecom, broadcasting or electronic services)	VAT charged in the EU country where the customer belongs (not where the business is based).



12 After regulation changes

An EU based customer purchasing a service from Avangate will be charged the VAT rate of the country where the customer resides.



13 European countries with special tax status

Sales made by Avangate B.V. to customers in **Iceland, Norway, Switzerland and Turkey** are subject to each country's VAT rate. These countries are not part of the EU. The VAT rate for these countries are:

- Iceland: 24%
- Norway: 25%
- Switzerland: 8%
- Turkey: 18%

As of March 23rd 2016, Avangate stopped collecting VAT for orders originating from Israel.

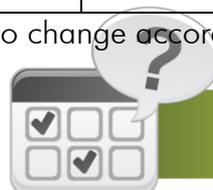


14 List of EU member states and their standard VAT rate

Reference table for VAT rates that will apply to your purchases after the 1st of January 2015.

EU MEMBER STATES	STANDARD VAT RATE
Belgium	21
Bulgaria	20
Czech Republic	21
Denmark	25
Germany	19
Estonia	20
Greece	23
Spain	21
France	20
Croatia	25
Ireland	23
Italy	22
Cyprus	19
Latvia	21
Lithuania	21
Luxembourg	17
Hungary	27
Malta	18
Netherlands	21
Austria	20
Poland	23
Portugal	23
Romania	24
Slovenia	22
Slovakia	20
Finland	24
Sweden	25
United Kingdom	20

The information in the table above can be subject to change according to each country's regulations.



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15 Frequently Asked Questions

15.1 How does Avangate identify the shopper's country?

Avangate determines the shopper's country by using two matching elements of the billing details provided by the shopper. The elements can include the shopper's IP address, the country of the bank that issued the credit/debit card, the billing address or the mobile country code used to identify the shopper's phone number.

15.2 Should I sign up for MOSS?

All the taxable persons involved in the supply of telecommunications, broadcasting and electronic services to customers that are not VAT taxable persons can sign up for MOSS. Avangate encourages you to seek specialized tax and accounting advice for this matter.

15.3 How is the VAT calculated for orders where I ship a CD and an electronic license key?

CDs are a back-up media, an additional service for the main product, thus they follow the same regime as the main product. Consequently, Avangate applies the same VAT as to the main transaction of the license.

15.4 It appears that the place of supply is calculated differently for phone consulting and software. Do I have to tell you what kind of service I am selling when I bill someone?

Yes, you should provide an accurate description of your products in the Order Form/Contract so that we can represent it correctly when we resell them.

15.5 How do the new regulations affect each type of order (new acquisition, renewal, chargeback/refund)

- **New acquisitions:** the new rules will be applied starting with the 1st of January 2015
- **Renewals:** renewals will be updated to include the new VAT regulations and shoppers will be notified through the renewal notification email about the new VAT regulations
- **Chargebacks and refunds:** all chargebacks and refunds will be closed using previous VAT regulations (applying the VAT regulations used at the moment of the initial order)



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