

Hermes UK

Updates on our IOSS Solution

22nd June 2021



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EU VAT Changes

Changes to the EU VAT Rules on the 1st July 2021



On the 1st July 2021 the EU will introduce a set of new VAT rules on sales of goods from outside the EU. These rule changes impact UK businesses trading with customers inside the EU. In order to continue trading with your customers its important that you understand what's changing, why and how Hermes can support you to be ready and avoid disruption. We recommend that you consult with your own tax advisors in order to ensure you understand all the rules correctly and how they will impact your business.

There are a number of changes to the EU VAT rules coming into effect from the 1st July, however the key ones that impact parcels moving from the UK to EU are listed below:

- Removal of the VAT exemption of parcels below the €22 threshold
- New Import One Stop Shop (IOSS) available for B2C sales into the EU where consignment value is no more than €150



Why are the changes being introduced?



- **Simplicity** – One of the biggest blockers to cross border e-commerce is the complexity involved with managing VAT within Europe. The EU commission recognised this and therefore decided to introduce the changes to enable simple registration and administration of VAT, without the need for registration in multiple member states.
- **Level the playing field** – For years non-EU based businesses have been able to legally and illegally supply goods and services free of VAT whilst EU competitors cannot.
- **Limit the loss of VAT revenue for member states** – The current rules in the EU allow parcels to be imported into any member state before onward movement to the final destination country. The country of arrival was responsible for the importation and collection of VAT and Duties owed at their local rates. This resulted in the other member states not seeing any of the VAT. The IOSS system allows the import procedures to continue in a single member state however, the VAT collected is shared with the consignees member state.



A Closer Look at the Rules...



1) Removal of low value VAT exemption (<€22)

What is this new rule?

- Currently the EU allows for parcels with a value <€22 to be imported without any VAT being applicable.
- This low value exemption is being removed on the 1st July 2021 meaning all shipments imported into Europe will be subject to VAT

What do I need to do to prepare?

1. Decide whether you will collect the VAT at checkout or request the customer pays this VAT on delivery of their parcel...
2. If collecting payment at checkout, register for the IOSS in one member state and share your reference number with your account manager at Hermes



A Closer Look at the Rules...

2) The Import One Stop Shop (IOSS)



What is IOSS?

- The new Import One Stop Shop (IOSS) is available for business to consumer (B2C) sales into the EU where the parcel is no more than €150
- VAT will be collected at the customers member state VAT rate at the point of sale
- The goods will be VAT exempt at the point of import
- Clearance into the EU is faster
- The scheme is optional but we recommend you register
- If you are not established in the EU you will need to appoint an intermediary
 - *Hermes do not offer this service but we can introduce you to companies that do offer this is you would like*

What do I need to do to prepare?

1. Decide whether you will register for IOSS
2. Are you 'established' in the EU? If not, appoint an intermediary
 - The rules of establishment in the EU are complex, Hermes cannot advise you on this matter so please consult with your customs and VAT consultants for specific advice.*
3. Update your online checkout to collect the VAT
4. Decide which IT solution best meets the needs of your business for providing the IOSS reference to Hermes

IOSS – Frequently Asked Questions



What about parcels where the value exceeds €150?

- Parcels exceeding €150 will be imported centrally via Belgium or the Netherlands depending on the destination country. VAT will be charged at the local rate of 21% and the consumer will be named as the importer of record. Hermes will pay this to the authorities on behalf of clients and recharge as per the agreed schedule.
- Hermes can continue to access all EU countries using our DAP and DDU solutions.

Can I still ship my parcels with Hermes if I am not registered for IOSS?

- Yes, you can continue to ship all of your EU parcels via our international network. We offer both DDU and DAP solutions to all EU member states. The IOSS registration is optional.

Will there be a price increase as a result of IOSS?

- We are pleased to confirm that there will be no rate increases if you opt in to the IOSS or if you ship any parcels above the €150 threshold
- If you do not opt in to the IOSS and ship parcels below the €150 threshold we will need to increase the agreed rates for our DAP service as we will be using an alternative final mile carrier to facilitate this service. Any increase in rates will be discussed on a 1 to 1 basis with your account manager



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The Hermes Solution

The Hermes Solution



We are pleased to advise that we can continue to operate both DAP and DDU solutions to all EU lanes whether you decide to opt in to the IOSS or not. Our IT systems have been upgraded to offer a solution for each country depending on the data that you submit on shipment request.

Import Notes:

- *If you select our DDU service, we will ignore any IOSS reference number provided and route down our DDU solution for the customer to pay any duties and taxes prior to delivery*
- *If you wish to access our IOSS solution you must set the duty Indicator to 'P'*

The following slides detail which partners we will use for accessing the final mile carriers across the EU.



IOSS Routing Solutions (DAP)



INCOTERM	Registered for IOSS	Value	Routing Solution	Comments
DDP	Yes	<€150	Hermes B2C Europe	<ul style="list-style-type: none">All Hermes lanes covered via import solution into LiegeB2C Europe cover all remaining DDP lanes, import clearance via the Netherlands
DDP	Yes	>€150	Hermes B2C Europe	<ul style="list-style-type: none">All Hermes lanes covered via import solution into LiegeB2C Europe cover all remaining DDP lanes, import clearance via the Netherlands<i>IOSS reference ignored, Hermes pay VAT and duty and reclaim from retailers</i>
DDP	No	<€150	B2C Europe	<ul style="list-style-type: none">B2C Europe cover all DDP lanes, import clearance via the Netherlands
DDP	No	>€150	Hermes B2C Europe	<ul style="list-style-type: none">All Hermes lanes covered via import solution into LiegeB2C Europe cover all remaining DDP lanes, import clearance via the Netherlands

IOSS Routing Solutions (DDU)



Following the VAT rule changes in the EU on the 1st July 2021, Hermes will continue to operate a DDU service into all EU countries. The partners we use for these deliveries are listed below.

Country Code	FR	NL	ES	IE	DE	BE	LU	AT	DK	CZ	IT	SK	FI	PT
Partner	NRSK	NRSK	B2CE	NRSK	NRSK	NRSK	NRSK	NRSK	B2CE	B2CE	NRSK	B2CE	B2CE	B2CE
Country Code	SE	PL	EE	HR	HU	SI	LT	LV	BG	RO	GR	CY	MT	
Partner	NRSK	B2CE	B2CE	B2CE	B2CE	B2CE	B2CE	B2CE	B2CE	B2CE	NRSK	B2CE	B2CE	

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IT Solutions

IT Solutions



What are my options?

- Hermes will provide two solutions, which one you choose will depend on your circumstances and ability to implement changes to your IT integration with us
 - **Option 1:** We will maintain a static source of your IOSS reference number. Every international shipment you book with us will contain the IOSS reference we hold on file for you and will be passed to the relevant customs agencies to quote on the clearance
 - **Option 2:** We will be adding a new field to our API that allows you to pass the IOSS reference at parcel level

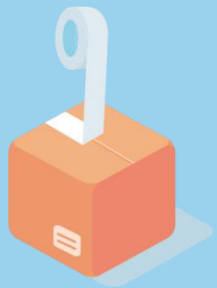
Considerations

Option 1	Option 2
✓ - Quick & simple to implement – you just need to register for the IOSS and provide your reference number to your account manager	⚠ - Requires IT development to pass the IOSS reference on the shipment request
⚠ - Removes choice, all of your international shipments will be declared using your IOSS reference, with the exception of parcels valued higher than €150	✓ - Gives choice for you to declare the IOSS reference at shipment level
⚠ - Solution can only be used if you have client/child ID's at brand level	✓ - Can be used by resellers or retailers with multiple brands that are not setup with their own client/child ID's

Next Steps:



- Review the content of the slides and decide whether we you will be registering for IOSS
- Confirm with your account manager what your plans are and which IT solution you will work towards
- IT Specifications have been shared with all clients and 3rd party IT platforms such as Metapack and Sorted
- Your account manager will provide your new rate card if you choose not to use the IOSS and your shipments are below the €150 threshold
- Please send any questions directly to your account manager who will feed them back into the central International team for response



Hermes International Team