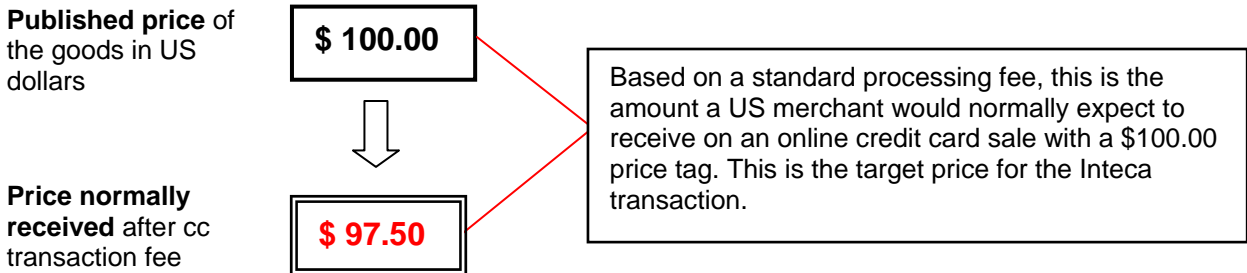


ez-EU Price Conversion & VAT Settlement Calculation

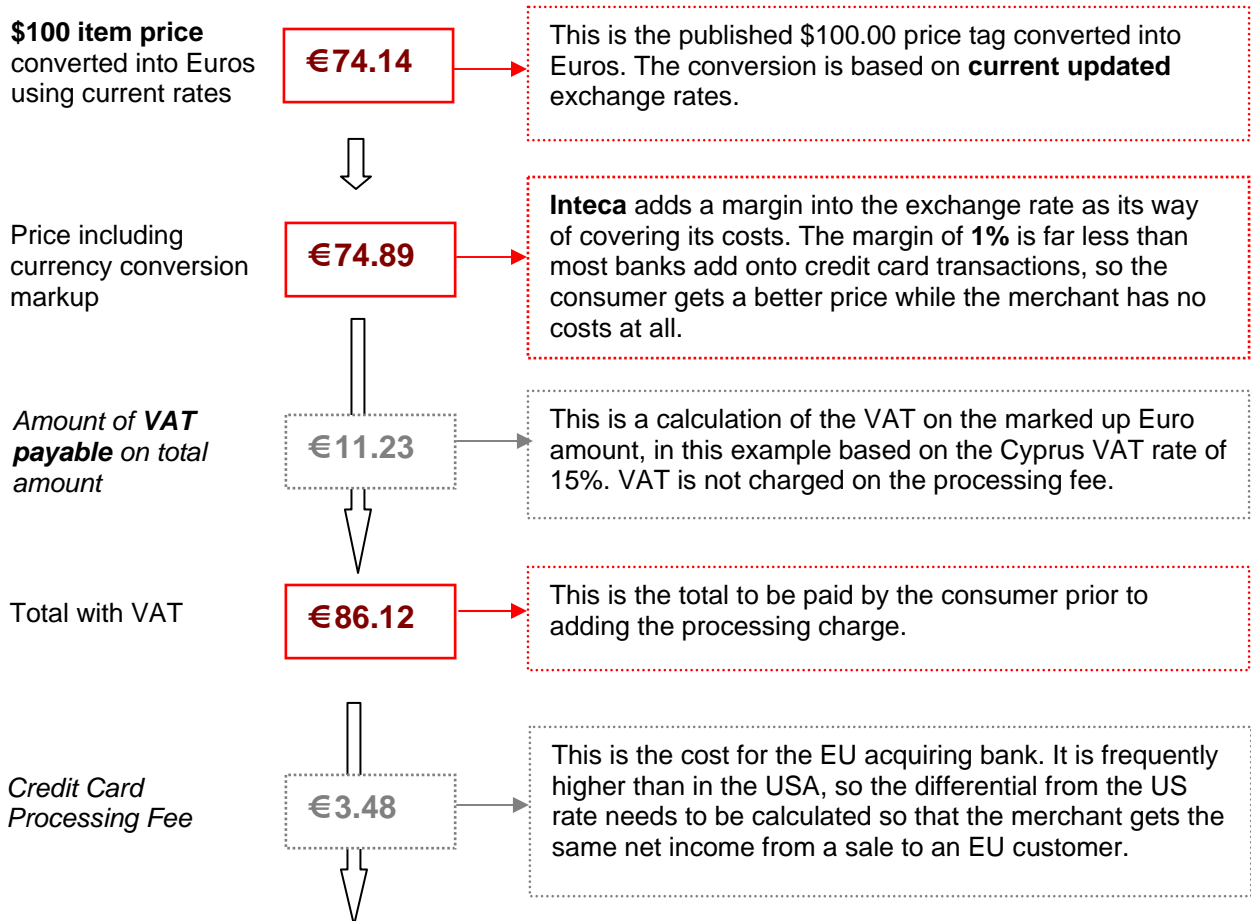
In this example, a US based merchant sells goods for \$100.00 to an EU-based customer whose home currency is the Euro. For the purposes of this example, the merchant has taken advantage of Inteca's facility to set up a subsidiary in Cyprus to ensure the lowest possible EU VAT rate.

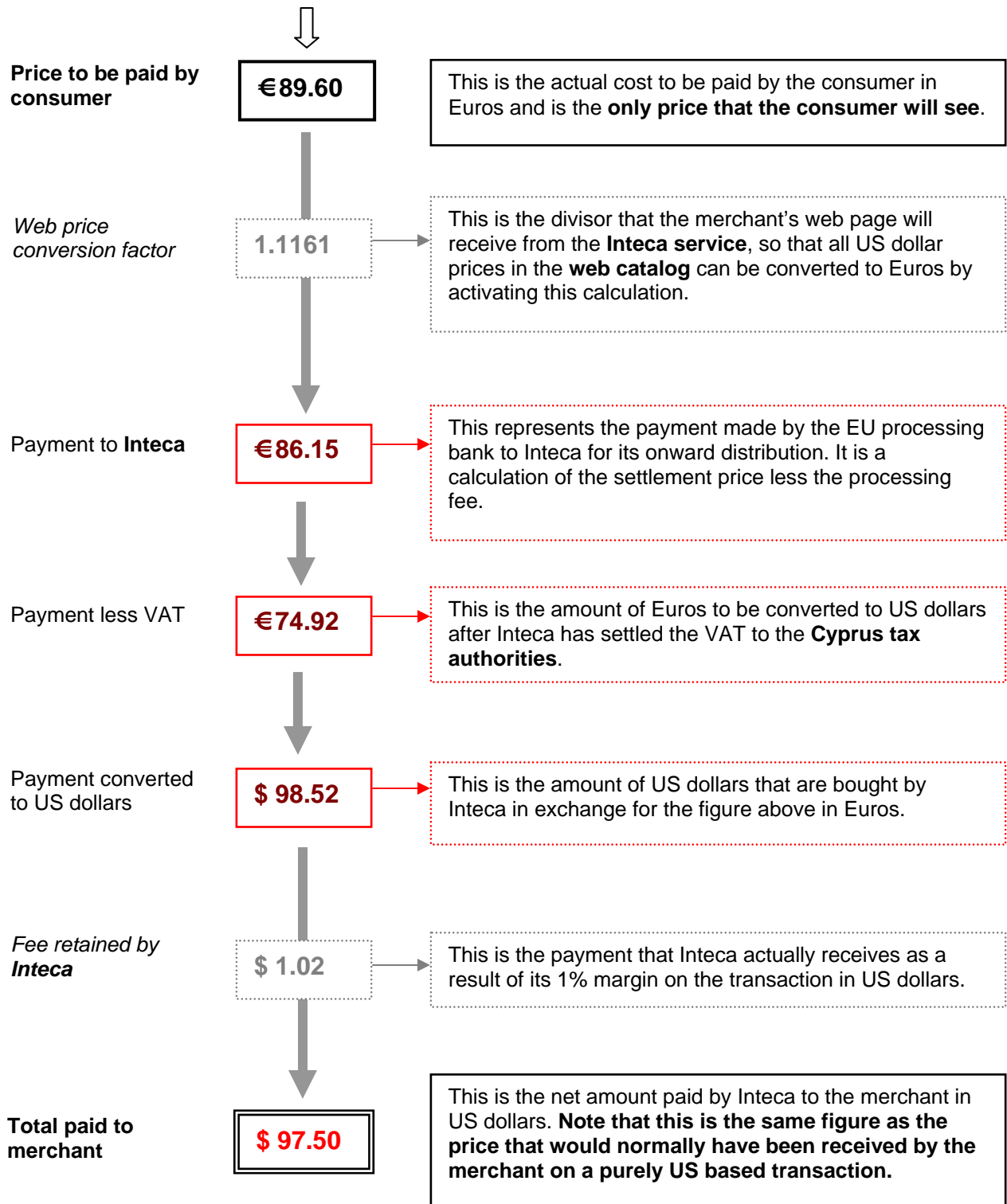
Example: US merchant's item price \$100

1. Dollar transaction without charging VAT



2. INTECA transaction including VAT payment





Notes

- This example has used US dollars to Euros, but can be applied for any currency to any currency for merchants from anywhere around the world.
- The VAT rate here is based on merchants using the full Inteca service, which involves the setting up of Cyprus-based subsidiaries and branches. Inteca organizes all of the set ups and the subsequent reporting and settlement of VAT to the Cyprus authorities.
- Another alternative is for the merchant to organize its own VAT structure. The variations on this are numerous, and Inteca will assist in any way it can. However, the net effect is that the prices paid by consumers – or the income of the merchant – will be significantly worsened.
- Another alternative in the Inteca set-up is a variable whereby the merchant receives the full published retail price of the goods, i.e. the full \$100.00 on a \$100.00 sale rather than the \$97.50 shown above. In this case all the calculations above are applied to produce a target price to the merchant of \$100 and the full price paid by the customer is correspondingly higher.

Optional Standardized Pricing Adjustment

An additional feature of the pricing mechanism is an optional automatic 'user-friendly' adjustment to the converted amount. This means that, for example, a calculated price of €14.27 would be changed to €14.95, while a price of €2.07 would be changed to €1.99. The difference, in either direction, is taken into an adjustment account for the merchant with Inteca and is debited or credited at the end of the month.

A benefit of this treatment is that re-billed subscriptions such as monthly membership fees are all managed as being for the same amount to the consumer, while the merchant is able to see the same US dollar amount no matter what exchange rate changes have occurred.

Summary

The detailed explanation above of how the Inteca filter works is so that members can be fully informed of the intricacies of the system. However, for a working structure, on an ongoing basis, the program is extremely simple; the merchant checks the Inteca server on a regular basis for the latest divisor for each EU currency and adds this into their catalog structure to change the price when appropriate.

The IP look-up facility within the Inteca filter identifies which country a potential consumer is from, and the currency they use. From then on, the merchant sends the eventual transaction through Inteca to the EU processing bank, and Inteca sends the dollars to the merchant, just as if the transaction had been made in dollars throughout.

Inteca handles the VAT payment and all reporting. The processing bank in Europe sets up an account specifically for the Cyprus branch or subsidiary of the merchant, or the merchant can choose to have this managed through an Inteca master account.

This program is set up initially for EU consumers; however, there are many other countries using VAT as a tax format. The merchant can have all sales to consumers in these other countries incorporated into the program as soon as it is necessary.

In this way a merchant can enlarge their market to the rest of the world in a safe, compliant manner – and do this at no cost to themselves at all.