

Dear Wellness Advocates,

The exponential growth of dōTERRA in the world, especially in Europe, represents a confirmation rather than a discovery for each one of us. The possibility of sharing essential oils for therapeutic use worldwide has now become a reality. During 2017, dōTERRA Europe obtained an incredible growth of 112% and Italy by an incredible 150%.

All this was possible thanks to wonderful products and determining passion from all of you.

Aiming at supporting constant growth and in compliance with national regulations (pursuant to Article 19 of Legislative Decree No. 114/1998, as amended by Legislative Decree No. 59/2010, as per Law No. 173/2005), from 6<sup>th</sup> February 2018 there will be some changes to the registration process for new advocates and a new policy for existing advocates. This is necessary to be compliant with Italian direct sales law, and to protect both the company and its Wellness Advocates. For terminology, it is helpful to note that Italian law calls independent distributors, or Wellness Advocates, as *Incaricato alle Vendite a Comicio*, or “*Incaricati*” for short.

The plan for the new changes provides that the above rules will have effect from February 2018.

Please note that the following changes only effect Wellness Advocates and NOT Wholesale Customers.

The changes include:

- **300 PV LIMITS:** As a Wellness Advocate you will not be able to exceed 300 PV per month for your own orders. In compliance with the regulations in force in Italy, you will continue to benefit from a 25% discount on the 300 PV product. This 300 PV limit has been put into effect to counteract any misuse of the retailing of products, which is a prohibited activity in Italian law for direct sales companies.
- **REGISTRATION FORM:** In order to comply with the above regulation, an appropriate form containing the necessary information of an applicant Wellness Advocate must be completed and signed as part of registration. The form will be supplied by dōTERRA during the registration process. An applicant will be prompted to print, sign, and return the form either by post or ideally electronically. After dōTERRA receives and approves the registration form, the new Wellness Advocate will receive an email with a link to create an identification card. The identification card should be printed and always held in possession when on dōTERRA business.

The new Wellness Advocates will only have Wholesale Customers functionality until the Registration Form has been completed and returned.

- **ESTABLISHED ADVOCATES**

The next time an existing Wellness Advocate visits his or her Virtual Office after implementation of the new system, he or she will be prompted to also complete a form. This form must be completed and returned within sixty (60) days of the login. If the sixty (60) day timeframe is exceeded, no further commission payments may be made until the form has been returned and accepted by dōTERRA

- **WITHHOLDING TAX**

Once a Wellness Advocate is registered compliantly as an *Incaricato*, the legislative decree requires income tax be withheld on earnings. This tax will be withheld by dōTERRA and paid directly to the Italian

government. The rate applied will be 23% of only 78% of earnings (effectively 17,94% of the total). For example, if the gross earning is €100 then the income tax withheld and remitted to Italy is €17.94.

In addition, earnings over €6,410.26 will be subject to a social security withholding. The current standard withholding for social contributions is 10.91%. 10.91% is applied to earnings after a permissible 22% deduction (effectively 8.51% of the total). For example, if the earning threshold of €6,410.26 is exceeded, and the current gross earning is €100, then €8.51 social contribution will be withheld. It is important to note that dōTERRA will also pay this amount, times two, to the government. Therefore, in this example, the total paid in social contributions will be €25.53.

#### • IVA

Italian law requires an Incaricato to register for IVA once his or her earnings exceeds €6,410.26. Per this same law, if proof of IVA registration is not received after the threshold is exceed, dōTERRA is mandated to retain 100% of earnings. dōTERRA will strive to provide a notice if an Incaricato is coming close to €6,410.26 in earnings. However, the responsibility to timely complete the registration is solely on the Incaricato.

Please note that dōTERRA is not authorized to give individual tax advice.<sup>1</sup> There are a number of companies that can help with this. For example:

1. Studio Consult  
Largo La Pira, 10 - Massa e Cozzile (PT)
2. Studio ELABORA SNC  
Viale Felice Cavallotti, 10 - Padova

#### • PRODUCT LABELS

We are also excited that very soon dōTERRA will have labels in twelve (12) European languages, including Italian. As part of the labeling and marketing regulation, a full review has been in process for many months and more details will be available in the near future.

The changes mentioned above are necessary not only to comply with Italian regulations, they also give us the platform to continue to grow the business. These elements, combined with your incredible passion for the dōTERRA products, will be crucial to ensure the growth and success that you all deserve and that dōTERRA is committed to supporting every day.

Our greatest desire is to accompany you on your journey towards new achievements and, together with you, to rejoice in the results of your commitment.

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<sup>1</sup> Income tax, social contributions, and IVA results may vary based on many factors including individual tax status. The above scenarios do not contemplate the reduced withholding amounts available to some tax payers. Please consult with your local tax advisor if you are unsure how Italy taxes are calculated on your earnings and if you think you qualify for reduced withholdings. You alone are responsible for your annual personal income tax filings, social contributions, IVA and the corresponding amounts that may ultimately be due. The above information is general, does not constitute legal or tax advice for your individual situation, and dōTERRA does not provide legal or tax advice.