



# THE NEW SALES TAX LANDSCAPE FOR ECOMMERCE

## Contents

<b>Overview</b> .....	2
<b>Omnichannel sales can create lucrative business opportunities</b> .....	3
<b>How an omnichannel approach can affect tax compliance</b> .....	4
<b>Cross-border sales create compliance complexity</b> .....	5
<b>Third-party sales create a need for cross-channel communication</b> .....	6

<b>Don't let exemptions create compliance headaches</b> .....	7
<b>The right platform is your one-stop shop for compliance</b> .....	8
<b>A comprehensive compliance platform can give your business the edge it needs</b> .....	9

## Overview

Technology has changed the way ecommerce operates around the globe. Consumers are increasingly willing to purchase goods via multiple sales channels and from retailers in other countries. Many governments are adapting tax compliance regulations to keep up.

Business is moving faster and getting more complex. It's vital to understand where and how customers buy. Therefore, companies focused on growth need to [consider two key factors](#) for reaching the full potential of their addressable market:

- Omnichannel sales
- International commerce

However, each of these can lead to increased complexity when it comes to tax compliance.

Selling in a variety of sales channels complicates tax compliance by fracturing information around sales volume, data, nexus tracking, and visibility. Without a cohesive, integrated system, you're at risk of misfiling taxes and creating compliance issues come audit time.

While borders may fall away for consumers who shop online, they remain firmly in place when it comes to tax compliance regulations. Each country has its own rules for how tax is calculated, collected, and remitted. Noncompliance in a jurisdiction can risk your ability to conduct business within its borders, jeopardizing your company's growth plans.

With the right tax compliance solution, you can support growth goals across channels and around the globe without sacrificing accuracy or overburdening your tax team.

## Omnichannel sales can create lucrative business opportunities

In today's interconnected digital landscape, the omnichannel approach has emerged as a differentiator for growing businesses.

A [true omnichannel strategy](#) allows businesses to reach customers at any point of the buying cycle wherever they shop. Customers should have a cohesive experience as they move through, say, brick-and-mortar stores, websites, social media platforms, mobile apps, or pop-up spaces. This seamless integration offers unparalleled convenience to consumers, enhancing their overall experience and fostering brand loyalty.

As more businesses succeed with an omnichannel approach, consumers have begun to expect it across all channels. From browsing products online to making purchases in-store or vice versa, customers anticipate a seamless transition with access to the same product information, pricing, and promotions. Embracing this reality is increasingly required for businesses that seek to remain competitive and relevant in an ever-evolving retail market.

Even businesses that haven't implemented an official omnichannel approach are likely

already operating within the framework of its simpler cousin: multichannel sales. After all, few businesses operate solely through a single channel. With the prevalence of mobile apps, social media platforms, and ecommerce marketplaces, most businesses engage with customers across multiple channels. Recognizing and optimizing these existing touchpoints into an omnichannel strategy can further enhance customer engagement and drive sales.

Adopting an omnichannel approach doesn't just create new sales opportunities; it also facilitates the growth of both business and audience. By effectively leveraging multiple channels, businesses can amplify brand visibility, engage with a broader audience, and create deeper connections with customers. This holistic approach drives revenue growth, fosters brand advocacy, and establishes long-term customer relationships, ultimately fueling sustainable business expansion in an increasingly competitive landscape.



## How an omnichannel approach can affect tax compliance

Running an omnichannel business undoubtedly offers numerous benefits for both customers and sales. However, it also comes with its fair share of unexpected consequences, particularly in the realm of tax compliance.



One significant challenge associated with operating across multiple channels is the need for consistent updates and data management on each platform. Whether it's a website, mobile app, marketplace storefront, or physical store, each channel requires regular updates to tax rates and product taxability.

If different channels operate independently or rely on disparate tax software, businesses may encounter discrepancies in tax rates applied to products or services. These discrepancies not only pose a logistical headache but can also result in several tax-related problems, including:

- Confusion among customers, causing dissatisfaction and lost sales
- Incorrect rate calculations, leading to under- or overcollection of taxes
- Inaccurate nexus tracking, resulting in lack of awareness around tax obligations
- Noncompliance with tax regulations, creating legal ramifications and financial penalties

The fragmented nature of managing tax across multiple systems can be cumbersome and prone to human error, especially when updates or changes to tax regulations occur. Ensuring that each channel accurately calculates and applies the correct tax rates requires meticulous attention to detail and rigorous monitoring, consuming valuable time and resources that could otherwise be spent on more strategic initiatives aimed at driving sales and enhancing the customer experience.

Addressing these challenges requires a proactive approach to streamlining operations, investing in robust software solutions, and implementing stringent quality control measures to mitigate the risks of errors and inconsistencies.

## Cross-border sales create compliance complexity

Expanding into new territories and countries as part of a broader strategy to diversify marketplaces is an enticing prospect for businesses seeking to tap into new consumer bases and drive growth. However, venturing into international markets brings myriad complexities, particularly in the realm of tax compliance.

Each country has its own set of tax rules, including varying VAT rates, customs duties, and regulations governing imports and exports. Navigating these intricacies can be daunting and time-consuming, especially for businesses unfamiliar with the nuances of international tax compliance.

To effectively manage [the complexities of international tax compliance](#), businesses require a comprehensive solution that can handle the diverse intricacies inherent in cross-border transactions, such as:

- Harmonized System (HS) codes for customs declarations
- Value-added tax (VAT) and goods and services tax (GST)
- Fiscal representation services

There are several regulatory requirements specific to each country. And like most things tax-related, the rules are subject to change

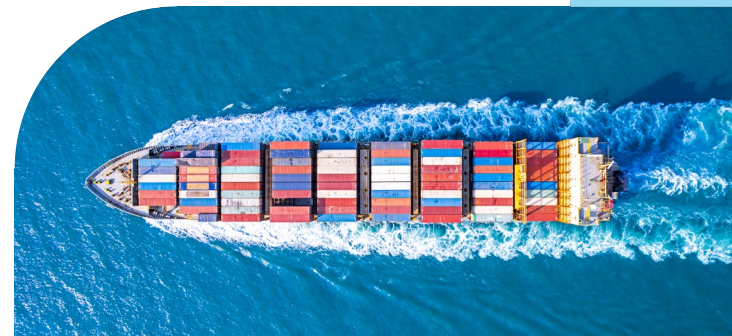
at any time. Governments are constantly analyzing tax situations and developing new ways to close loopholes, create efficiencies, and avoid fraud. For example, [e-invoicing and live reporting](#) regulations are being adopted worldwide to combat losses in tax revenue.

Without a robust system in place, businesses risk encountering compliance issues, potential delays in shipments, and financial penalties for noncompliance. The Avalara suite of products is designed to streamline and simplify the complexities of cross-border tax compliance, offering businesses a centralized platform to manage:

- Item classification
- Trade restrictions
- Customs duties and import taxes
- VAT and GST calculations
- IOSS and registration
- Fiscal representation

- VAT reporting
- E-invoicing and live reporting
- Payments and shipping

By leveraging Avalara's expertise and technology, businesses can improve accuracy and consistency in tax management, mitigate the risk of compliance errors, and streamline their international operations. This peace of mind supports expansion into new markets with confidence, knowing that tax compliance obligations are being effectively managed and monitored.





## Third-party sales create a need for cross-channel communication

In the ever-evolving landscape of ecommerce, third-party sales channels like Amazon and Facebook have emerged as vital components of a successful online sales strategy, often rivaling or even surpassing the importance of a company's own website.

Marketplace platforms offer unparalleled reach and visibility, tapping into vast consumer bases and providing sellers with access to a global marketplace. Recognizing the significance of these third-party channels is crucial for businesses looking to maximize their sales potential and expand their online presence.

However, with third-party apps and API-generated orders comes a host of tax compliance challenges. Based on applicable marketplace facilitator laws, each platform may have its own set of tax regulations and requirements. Even if a marketplace is required to calculate taxes on your behalf, you're still required to track how those sales combine with other channels to affect your tax obligations and filing requirements.

Selling on third-party sites necessitates seamless communication and integration between different business and tax compliance systems. Failure to effectively manage tax compliance across all channels can result in costly errors, regulatory penalties, and reputational damage.

To address these complexities, businesses require a comprehensive tax platform that not only improves and streamlines ecommerce compliance but also seamlessly integrates with the systems they already have in place. Such a platform should facilitate tax

data management between various sales channels, allowing for centralized calculations, document management, reporting, and filing processes. By consolidating tax compliance efforts across multiple channels, businesses can enhance efficiency, reduce the risk of errors, and ensure compliance with ever-changing regulatory requirements.

Moreover, a good tax platform should offer scalability and flexibility to adapt to the evolving needs of a growing business. Whether selling through marketplaces, an online store, or other ecommerce platforms, businesses need a solution that can accommodate diverse sales channels while maintaining consistency and accuracy in tax compliance. By investing in a comprehensive tax platform, like Avalara, businesses can focus on driving sales and expanding their reach, confident in their ability to navigate the complexities of ecommerce tax compliance with ease and efficiency.



## Don't let exemptions create compliance headaches

Navigating exempt sales presents unique challenges that often cannot be adequately addressed within native systems alone.

Exemptions, whether they stem from specific products, industries, or customer categories, require careful handling to ensure accurate and compliant transactions. Businesses operating in such contexts, such as manufacturers and distributors, must have processes in place to manage exemptions effectively and accurately.

Relying on multiple systems to handle exempt sales can lead to inefficiencies and complications. Fragmented processes across disparate platforms increase the likelihood of errors, inconsistencies, and compliance gaps. Moreover, managing exemptions separately from other sales channels creates operational silos, hindering overall tax compliance efforts.

A [cohesive solution that integrates exemption management within existing systems](#) is essential for businesses seeking to streamline their compliance processes and mitigate risk. By consolidating exemption handling alongside other tax compliance functions, businesses can ensure consistency, accuracy, and efficiency in managing various types of sales transactions.

One such solution is [Avalara for Shopify Tax Platform](#), which offers powerful features to handle exemption management seamlessly within its platform. With Avalara, businesses can leverage advanced tools to identify, apply, and track exemptions, streamlining the process and ensuring compliance with relevant regulations. By integrating exemption management directly into their Shopify environment, businesses can eliminate the need for multiple systems and simplify their overall tax compliance efforts.

Having all aspects of exemption management within one platform also enhances compliance confidence. Businesses can leverage reporting and analytics capabilities to gain insights, monitor compliance status, and proactively address any issues or discrepancies that may arise. A solution like Avalara empowers businesses to focus on their core operations while maintaining compliance with confidence and clarity.





## The right platform is your one-stop shop for compliance

A comprehensive tax compliance platform offers a centralized hub where all compliance-related tasks can be managed seamlessly.



By consolidating compliance efforts into one platform, businesses can simplify their compliance processes. Instead of navigating through multiple systems or manually syncing data across various channels, everything can be managed efficiently from one place. This unified approach not only saves time and effort but also reduces the risk of errors that can arise from using disparate systems.

A comprehensive tax compliance platform ensures consistency across different channels and regions. Whether a business operates in multiple countries or uses various ecommerce platforms, the compliance solutions provided by the platform should remain uniform and adaptable to different regulatory environments. This level of consistency is essential for maintaining compliance standards and avoiding penalties or fines associated with noncompliance.

Having all compliance-related tasks centralized in one platform also enhances visibility and control. Businesses can easily monitor transactions, track exemptions, and generate comprehensive reports to gain insights across different channels and regions. This transparency not only facilitates better decision-making but also instills confidence in stakeholders regarding the company's compliance efforts.

Leveraging a comprehensive tax compliance platform offers businesses a streamlined approach to managing their compliance obligations. By providing consistent, comprehensive solutions from a single interface, businesses can ensure compliance across all their channels and regions without adding unnecessary complexity to their operations.

## A comprehensive compliance platform can give your business the edge it needs

In the modern ecommerce landscape, where companies frequently interact with customers across a variety of channels and platforms, the significance of a unified and integrated tax compliance solution cannot be overstated.

The tax solution facilitates seamless communication and collaboration across disparate channels, ensuring consistency and efficiency in compliance management.

The right tax solution not only handles core functionality effectively but also seamlessly integrates with existing solutions. Integration is paramount for businesses seeking to leverage their current investments in software and infrastructure while enhancing their capabilities to adapt and thrive in a dynamic marketplace.

With solutions like Avalara on the Shopify Tax Platform, [businesses can further bolster their compliance and operational efficiency](#). These programs offer robust capabilities to manage tax compliance seamlessly within the broader sales ecosystem. By integrating with CRM systems, ecommerce platforms, or accounting software, Avalara for Shopify Tax

Platform enables businesses to streamline tax calculations, exemption management, and reporting, all while ensuring compliance across multiple channels and international markets.

Investing in Avalara for Shopify doesn't just provide tools; it offers strategic assets that empower businesses to navigate complexity with ease, capitalize on opportunities with confidence, and drive sustainable growth in an interconnected world. With seamless integration capabilities, these platforms enhance operational efficiency, reduce the risk of compliance errors, and provide businesses with the agility needed to thrive in today's competitive landscape.





**Avalara helps businesses of all sizes get tax compliance right.**

In partnership with leading ERP, accounting, ecommerce, and other financial management system providers, Avalara delivers cloud-based compliance solutions for various transaction taxes, including sales and use, VAT, GST, excise, communications, lodging, and other indirect tax types. Headquartered in Seattle, Avalara has offices across the U.S. and around the world in Brazil, Europe, and India.

More information at [avalara.com](https://avalara.com)