

AUTOMATE INTERNATIONAL TRADE COMPLIANCE

with Avalara Tariff Code Classification
and AvaTax Cross-Border



Contents

THE CROSS-BORDER LANDSCAPE.....	3	GO
ADAPT TO CHANGING INTERNATIONAL TRADE RULES AND REGULATIONS.....	4	GO
STREAMLINE THE CLASSIFICATION PROCESS.....	5	GO
ELEVATE CUSTOMER SATISFACTION.....	7	GO
STAY COMPLIANT WITH LESS TIME AND RELIANCE ON IN-HOUSE EXPERTISE.....	8	GO
RELY LESS ON MANUAL PROCESSES FOR DETERMINING COUNTRY-SPECIFIC TARIFF CODES.....	9	GO
LOWER THE RISK OF NONCOMPLIANCE AND FREQUENCY OF GOODS STUCK IN CUSTOMS.....	10	GO
REDUCE THE NEED TO WORK WITH MULTIPLE SHIPPING CARRIERS OR CUSTOMS BROKERS.....	12	GO
SUPPORT AND VALIDATE THE ASSIGNMENT OF GIVEN TARIFF CODES.....	13	GO
ACHIEVE MORE WITH AVATAX CROSS-BORDER AND AVALARA TARIFF CODE CLASSIFICATION.....	15	GO

ABOUT AVALARA

Avalara makes tax compliance faster, easier, more accurate, and more reliable for 41,000+ business and government customers in over 75 countries. Tax compliance automation software solutions from Avalara leverage 1,200+ signed partner integrations across leading ecommerce, ERP, and other billing systems to power tax calculations, document management, tax return filing, and tax content access. Visit avalara.com to improve your compliance journey.

The cross-border landscape

Cross-border selling is one of the fastest-growing areas within ecommerce, estimated to be over \$1 trillion in market value in 2024.

The U.S. has historically been one of the most open cross-border markets thanks to favorable trade terms and the second-largest ecommerce market in the world. Yet, for many businesses outside the U.S., this market opportunity remains largely untapped. Uncertainty related to **changing tariffs** and **de minimis value** is an additional hurdle facing international sellers looking to grow their cross-border business.

Recent findings show that 60% of U.K. business leaders are opting against venturing into new markets, specifically the U.S., due to the impact of navigating cross-border tax complexities.

And according to **Digital Commerce 360**, almost 50% of leading online U.S. retailers are ignoring international customers, and even going as far as to restrict online goods to buyers outside the U.S. The reason? Complicated regulatory and trade compliance rules in the cross-border market. It's undeniable – selling and shipping cross-border can be complex and confusing, and compliance complexity continues to stifle international business growth.

To better prepare your business for cross-border and international sales transactions, consider automating global trade and tax compliance with Avalara AvaTax Cross-Border and Avalara Tariff Code Classification.

\$1T

or more is estimated
in 2024 for the
cross-border market,



**HUGE OPPORTUNITY
FOR GROWTH**

Source: *Business Research Insights*

60%

of U.K. business leaders



**ARE OPTING AGAINST
SELLING INTO NEW
MARKETS, PARTICULARLY
THOSE IN THE U.S.**

Source: *TechRadar*

Adapt to changing international trade rules and regulations

Adapting to international trade rules and regulations is challenging due to the complexity and variability of trade policies across different countries and regions. Frequent revisions to these regulations require businesses to invest significant time and resources into staying informed and adjusting their operations accordingly.

The same is true for classification: the Harmonized System (HS) is intricate and nuanced, requiring a deep understanding of product characteristics and trade regulations. Frequent updates and revisions to HS codes also demand continual monitoring and adjustment – another resource-intensive and error-prone process.

Avalara maintains comprehensive, up-to-date regulatory trade data **for more than 180 countries**, which is available on-demand via web services or seamlessly linked to our web-based tools. This includes tariff data such as regular and preferential rates, ad valorem (duty charged as a percentage of the value of the goods) and specific duties, and national import and export schedules, in both English and the official language of the destination country (where available).

Avalara international tax and compliance solutions can scale to meet your needs, no matter the size of your business. Whether you need to classify a handful of products or thousands of SKUs, Avalara offers the scalability and flexibility to support your business growth.



Streamline the classification process

HS code classification is the cornerstone of any successful cross-border strategy. Automating HS code classification helps streamline the process by allowing businesses to quickly and more accurately classify products.

Replacing manual and error-prone methods of classification with automation (and human expertise) helps improve compliance and the accuracy of customs and trade documentation. In turn, improvements in trade documentation result in fewer delays in customs, reduce additional supply chain and delivery costs, and help improve customer satisfaction by meeting delivery expectations.

Avalara Tariff Code Classification solutions allow businesses to quickly and efficiently classify their products to country-specific HS codes to aid in taxability determinations and shipment requirements for their products. With AI-based and self-serve capabilities as well as managed services that combine automation and human expertise, Avalara enables more accurate classification of products according to the latest HS codes and international trade regulations.



Customer success story

Threadless

Marketplace

Threadless, an online community of artists and an ecommerce marketplace, has grown significantly over the past two years, launching local delivery options in Australia, Canada, and the EU. The team at Threadless focuses on its mission – to support independent artists and help them monetize their art. Developing expertise around sales tax compliance doesn't fit into that mission.

Avalara AvaTax for both domestic and international tax calculations solves the company's tax compliance requirements for sales tax collection, customs and duties, and the like. Threadless also uses Avalara Returns for automatic filing in all 50 U.S. states. For help with its international sales, Threadless uses Avalara Managed Tariff Code Classification to assign the right HS codes for the applicable country.

"I don't ever lose sleep over it, it runs like clockwork – you don't hear it, you don't see it, but it's always there keeping good time. I'd have to hire at least three people with tax experience to do the work that Avalara is doing for us."

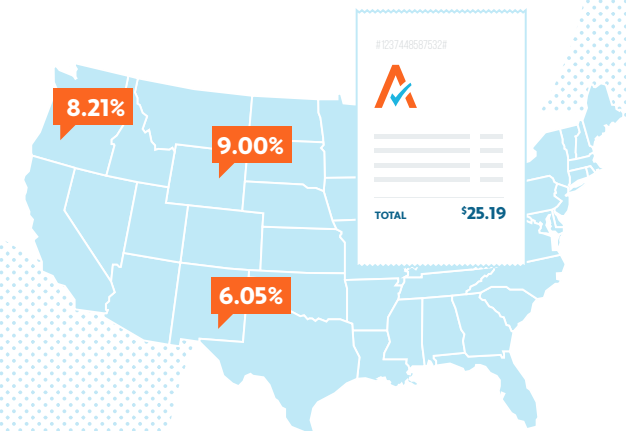
–Jason Macatangay, Chief Financial Officer, Threadless

TAX CHALLENGES

- Compliance risk
- Tax complexity
- Company growth

BENEFITS

- Gained peace of mind through Avalara's proven expertise
- Allowed confident growth with expansion in new markets
- Enabled the team to focus on core business tasks by offloading tax compliance



Elevate customer satisfaction

Customer experience, loyalty, and repeat purchases serve as the lifeblood of an ecommerce business and have a significant impact on the sustained success and profitability of a business. In the competitive online landscape, providing a seamless and positive customer experience is paramount.

Since international customers are increasingly looking for more transparency on costs when browsing goods online, the ability of ecommerce retailers to provide more accurate calculations of import duties and taxes at checkout is key. Adopting a **Delivered Duty Paid** (DDP) approach (vs Delivered at Place) allows the customer to see all charges, including product price, pre-calculation of taxes, delivery fees, and customs duties. With DDP, they know exactly how much they'll have to pay to get the product delivered to their door.

This transparency promotes trust, reduces online purchasing anxiety, improves the likelihood of conversion at checkout, and minimizes the shock of surprise fees and rejected shipments by the customer.

With **Avalara AvaTax Cross-Border**, businesses can calculate or estimate customs duties and import taxes at the point of sale, creating a transparent and frictionless online shopping experience for international customers. AvaTax Cross-Border integrates seamlessly with **Avalara Tariff Code Classification** and its managed services counterpart, enabling businesses to automate the assignment of their HS codes as well.

For international sellers looking to know what government restrictions are in place when selling goods across borders, **Avalara Trade Restrictions Management** can help. This solution gives businesses the foresight to facilitate more careful and effective merchandising, which can help them reduce costs, focus their efforts on profitable transactions, and deliver a superior customer experience.



Stay compliant with less time and reliance on in-house expertise

Achieving in-house expertise is costly and time-consuming. Businesses need to either invest in the hiring of experienced professionals or develop existing staff by providing initial upfront and ongoing training, not to mention the costs of having to maintain trade and customs compliance systems and databases, and the consequences of wrongly classifying items

Avalara Self-Serve Tariff Code Classification is a cost-effective solution allowing customers to generate tariff codes on a needs-only basis, which is ideal for customers new to assigning tariff codes or selling across borders. This automated software allows businesses to instantly receive more accurate HS codes by entering the description of a commercial good and answering required questions. With an intuitive user interface, there's no need for prior experience in HS classification, allowing even junior or new team members to find the correct tariff codes rather than relying on a costly, seasoned custom broker to manage.

Avalara is trusted by governments around the world. For example, the U.S. Census Bureau employs Avalara to power its Schedule B Search Engine.



Our latest **global ecommerce trends report** surveyed retailers, manufacturers and logistics service providers from North America, Europe and Asia Pacific on how their businesses are handling cross-border trade and tax compliance.

Key findings include:

- 6 in 10 supply chain professionals conducted cross-border sales in 2024. Nearly half (49%) sell through marketplaces.
- Almost three-quarters (73%) of survey participants expect global ecommerce transactions to increase in the next two years.
- Compliance remains a challenge, with 44% struggling to comply with HS codes and 34% of sales delayed due to misclassification of products.
- Almost one-third of respondents said that they outsourced HS classification, duties and tax calculations to a solutions partner or provider.
- The top three benefits of outsourcing HS classification were: 1) Less labor, 2) fewer errors in trade documentation; 3) complying with changing rules and regulations.

Rely less on manual processes for determining country-specific tariff codes

Attempting to determine the correct classification manually (and without expertise) is a time-consuming task, even more so for businesses with a footprint in multiple countries that may have thousands, or even hundreds of thousands of SKUs. And classification is not a one-time process but rather ongoing and continuous. As product and service catalogs (and tax laws) change, this necessitates year-round attention, staffing, and resources.

Automating the classification process can decrease the amount of time staff spend on researching and making decisions on classifications and the country-specific rules for entire product and service catalogs. Businesses can stay on top of their quickly growing and ever-changing product and service catalogs without the need to dedicate or find additional resources and headcount to manage large volumes.

Avalara Managed Tariff Code Classification automates the classification process to help provide fast, consistent item classification to tariff codes for any consumer product to any country. Our solution is cloud-based and scales fluidly to support product volumes ranging from dozens to millions, uniquely combining a powerful AI-based classification engine with scalable human expertise.



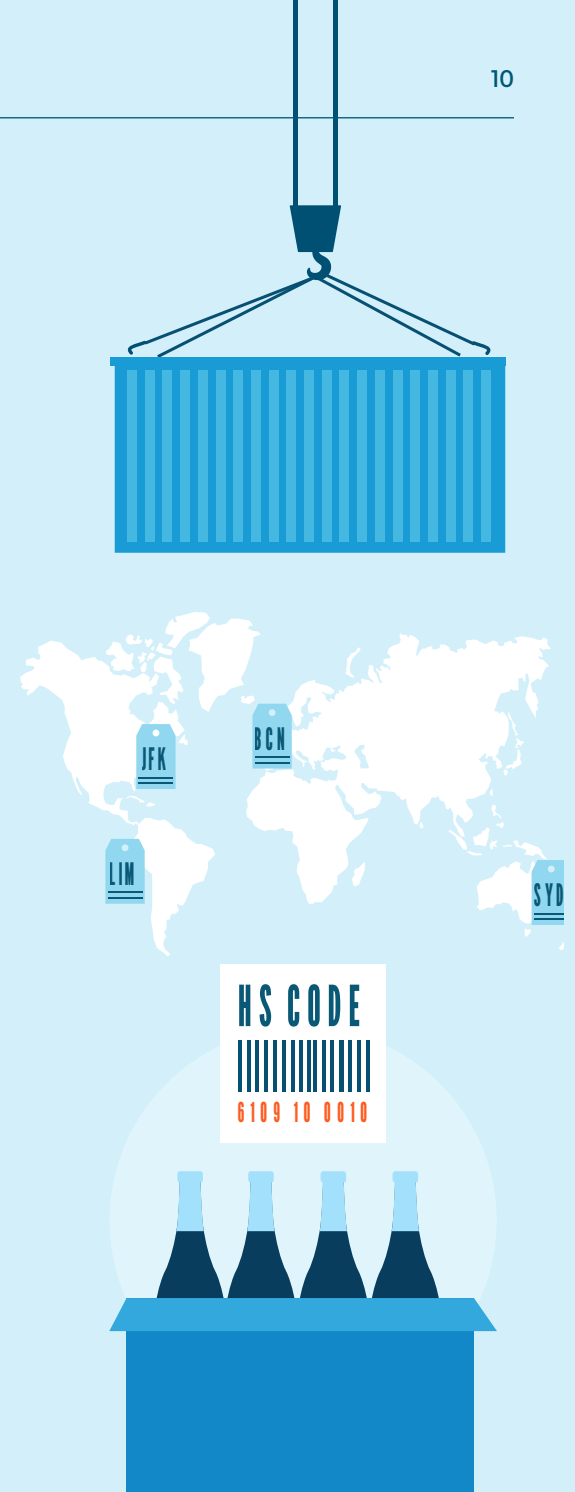
Lower the risk of noncompliance and frequency of goods stuck in customs

Due to the inherent complexity of the HS code system, manually assigning codes can be challenging and time-consuming. Different interpretations and ambiguities can lead to inconsistency and miscalculations, and inaccurate HS code classification may result in audits, penalties and fines, and goods stuck in customs.

HS codes, and regulations themselves, are subject to frequent changes and updates. Failing to keep up with the changes further increases the likelihood of noncompliance and goods being delayed in customs.

Avalara Tariff Code Classification solutions are AI-enabled and help ensure that businesses assign more accurate HS codes to their products. The solutions are designed and built to offer HS code support for 180+ countries. Avalara aggregates data from multiple authoritative sources, including government agencies, customs authorities, international trade organizations, such as the World Customs Organization, and industry-specific bodies. These sources provide information on HS codes, tariff rates, changing trade regulations, and other important trade data.

- **Avalara Managed Tariff Code Classification** employs Avalara experts in international trade compliance and regulatory affairs to monitor, analyze, and interpret regulatory changes. Our experts ensure the data is more accurately categorized, verified for reliability, and properly integrated.
- **Avalara Tariff Code Classification** uses the power of AI and machine learning to efficiently classify large product catalogs to HS or tariff codes. Stay up to date on cross-border compliance with our ever-improving content libraries. Add limited classification analysis from our team of experts with Automated Tariff Code Classification Pro.



Customer success story

GlobalPost

Shipping and distribution

International and domestic shipping carrier **GlobalPost** provides delivery and fulfillment services to 50,000 small to medium-sized merchants that sell internationally on marketplaces such as Amazon, eBay, and Etsy.

Many retailers who ship their products internationally for the first time don't understand the complexities of cross-border compliance, says GlobalPost Vice President Shea Felix.

"If the taxes aren't known, there's a high rate of rejection. Then the package has to come back at a cost. We wanted a way merchants could educate themselves on how to navigate shipping internationally," says Shea.

When shipping internationally, it's important for sellers to identify the contents of each shipment with country-specific Harmonized System (HS) codes. Merchants who visit the GlobalPost website are able to use Avalara Self-Serve Tariff Code Classification to look up HS codes needed to categorize goods for international export. Shippers can easily search for a product description, generate a 6-digit or country-specific 10-digit code, and calculate the duty rate. "It works seamlessly together," explains Shea.

"The Self-Serve Tariff Code Classification tool has transformed the way our merchants approach international shipping. It's an easy, accurate, and cost-effective solution that has streamlined the process, enabling our customers to expand their operations without the fear of customs-related complications."

—Shea Felix, Vice President, GlobalPost International

TAX CHALLENGES

- Customer experience
- Tax complexity

PRODUCTS USED:

- Avalara Self-Serve Tariff Code Classification



Reduce the need to work with multiple shipping carriers or customs brokers



Many shipping carrier and customs broker partners see classification as a frustrating means to an end (e.g. monetizing their core shipping or customs brokerage services) and prefer that businesses do their own classifications.

If businesses can't do their own classifications, the partner may charge higher fees to do this on the business's behalf, and in some situations may refuse to share the output to protect future revenue streams, forcing the business to buy over and over again.

Businesses may also need to use multiple partners; for example, businesses that choose to use shipping carrier and customs broker partners for classification may also need to purchase separate duties calculation engines.

Maintaining multiple partners and tax systems is time-consuming, complex, and increases the risk of costly errors.

Avalara AvaTax Cross-Border unifies customs duty, import tax, and sales and use calculations in a single platform, simplifying your operations and supporting your global and domestic needs with continually researched tax content across hundreds of international jurisdictions. AvaTax Cross-Border **integrates** seamlessly with leading ecommerce platforms, marketplaces, and ERP systems, streamlining the tax calculation process for cross-border transactions.

Avalara Managed Tariff Code Classification is an out-of-the-box integration with AvaTax Cross-Border, allowing businesses to additionally benefit from more accurate and efficient

assignment of country-specific tariff codes to products.

Automating this complex process not only releases businesses from the burden of time-consuming and potentially inaccurate classifications, it also helps businesses reduce the risk of customs delays and compliance errors, improving customer satisfaction while helping to preserve and grow cross-border sales margins.

Support and validate the assignment of given tariff codes

When submitting customs declarations, importers and customs brokers are required to document the rationale behind the assignment of tariff codes, proving they have exercised reasonable care in the assignment of the tariff code (including pulling in General Rules of Interpretation (GRIs) and chapter notes). Manually documenting this rationale is challenging and time-consuming, and if the documentation isn't accurate, it can leave customs brokers and importers with fines and unwanted attention from customs agencies.

Avalara Managed Tariff Code Classification Premium is an expert-led service that leverages our in-house expert classifiers to provide importers and customs brokers the background and rationale to support customs audits. It assigns more accurate HS codes for complex products, analyzing ingredients, materials, and more, and provides the documentation and validation of how the tariff code was determined, including GRIs and related chapter notes.

Avalara Managed Tariff Code Classification Premium can also be used as a service to accompany a duty calculations tax engine, or, through prebuilt integration with **AvaTax Cross-Border**, as part of a cross-border tax compliance solution, unifying duty, import tax, and sales and use tax calculations.

AvaTax Cross-Border can be **integrated** with existing ecommerce technology via prebuilt connectors, or businesses can take advantage of our robust API to tailor AvaTax Cross-Border to specific business needs.



Customer success story

Retail and ecommerce

Performance-focused cycling company

Founded by athletes with a focus on aggressive mountain biking footwear, **the company** faced tax challenges due to misclassifications of inbound shipments from China to the U.S. This led to disruptions in receiving goods and significant overcharging of duties and tariffs. The complex nature of duty calculations, varying standards between countries, and intricate rules within each country, particularly in the case of footwear, resulted in a duty rate increase from 5% to over 20%.

To address these issues, recommended by its freight forwarding service, the company turned to Avalara for Managed Tariff Code Classification. Avalara invested time to understand the products and the manufacturing processes, providing HS codes not only for U.S. imports but also for exports to Canada.

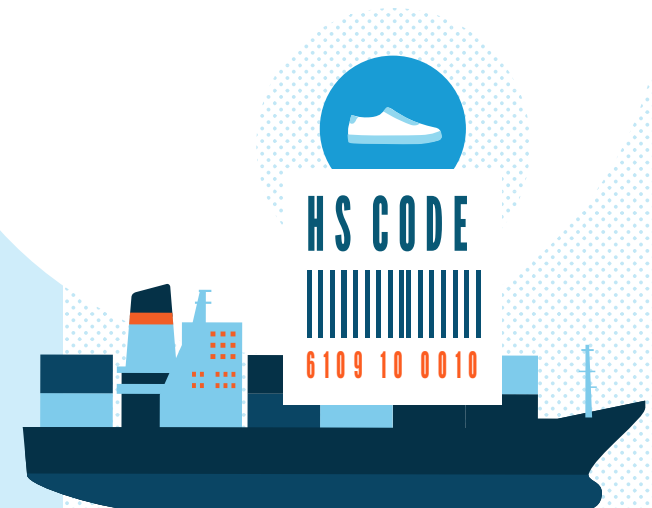
After a thorough review and confidence in the assigned codes, Avalara integrated them directly into the company's ERP system.

TAX CHALLENGES

- Tax complexity
- Compliance risk
- Manual costs
- Process inefficiency

BENEFITS

- Confidence in duty and tariff codes
- Increased margins due to correct customs calculations
- Assured goods will flow as expected



Achieve more with AvaTax Cross-Border and Avalara Tariff Code Classification



With Avalara, your business can get ahead while staying compliant. From complying with state-specific sales tax rules, to providing platinum-level customer satisfaction, and growing your company, Avalara can help your business meet significant challenges and position itself for success.

Avalara Cross-Border connects all pieces of the global tax puzzle by automating tariff code classification and delivering real-time calculation of customs duties, import taxes, and sales and use taxes. It is the ideal tax solution for online sellers seeking to establish a modular, best-of-breed platform to power their cross-border needs. Unlike some of the black box solutions out there, Avalara Cross-Border is an open point solution designed to work in harmony with the rest of your ecommerce technology components, providing the freedom to choose other best-in-class partners.



Go beyond tariff classification

Avalara international tax solutions make it easier to sell anywhere in the world. In addition to automating the process of identifying and mapping tariff codes to goods, Avalara can help you with registration, calculating customs duties and import taxes, e-invoicing and live reporting, VAT returns and reporting, and fiscal representation.

Ready to connect? [**Talk to one of our cross-border experts**](#) to see how we can help support your international growth, or [**visit our product page**](#) to learn more and choose the best solution for your business.

Disclaimer: Tax rates, rules, and regulations change frequently. Although we hope you'll find this information helpful, this report is for informational purposes only and does not provide legal or tax advice.