

Driving ecommerce growth for U.S. sellers:

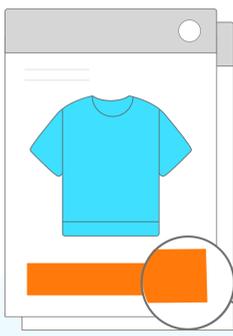
A road map for international sales

Ready to expand the reach and reputation of your business? This road map walks you through a typical international transaction and can help you get a handle on the opportunities and challenges of global sales.



1 You register, if needed, in each country where you plan to sell.

Before you start selling, your business may be required to register with local tax authorities to collect **value-added tax (VAT)** or **goods and services tax (GST)** and submit returns. The obligation to register depends on many factors, including how you deliver your products and the volume of your sales. Not complying with registration requirements, or failing to properly collect and report tax, can result in penalties.



Harmonized System (HS) Codes

These codes are part of a global standardized system for classifying goods. You need to know the HS code for each product you sell and for each country you sell to. Similar products can have different codes. For example, a sweater gets a new code depending on the fabric and whether it's designed for men, women, or children. Incorrectly assigned HS codes can result in packages being held up in customs or even heavy fines.

2 You add an item to your site with the correct tariff code.

Use the right tariff codes to calculate duties. It can be tricky and time-consuming to assign the correct tariff code for each of your products and each country you ship to. The first digits of tariff codes for particular products are "**harmonized**" internationally, and the last digits vary by country. If you have the correct codes, you can calculate **customs duties** and import taxes accurately. Many products are subject to government regulations when sold across borders, or even prohibited completely from entering a particular country. Staying informed of government trade restrictions requires time and expertise. The Avalara cross-border solutions can help.



Value-Added Tax (VAT)

VAT, also known as GST, is an indirect tax calculated based on the value added to goods and services as they proceed through the product and supply chain, all the way to the point of sale. Approximately 140 countries, primarily in Europe, Asia, and Africa use some form of VAT. In the U.S., sales tax is charged at the time of purchase, while in other parts of the world, tax is charged and collected at each stage of the supply chain.

3 Your customer puts an item in their cart and checks out.

Customers like transparency around duties and taxes at checkout. It might seem like showing more costs in the shopping cart would be bad, but a lack of clarity on the total cost of a sale can be a key driver of online cart abandonment.



Delivered Duty Paid (DDP)

The seller assumes responsibility for paying all duties and taxes and collects them from the customer as part of the online checkout experience. Communicating all costs to international customers upfront is more likely to result in repeat business.

Delivered at Place (DAP)

The courier collects duties and taxes directly from the customer upon delivery of the item. DAP is typically easiest for the seller, but it can lead to a poor customer experience, costly returns, and even negative reviews.

4 You package items for shipment and turn them over to a courier with information (such as products ordered, price, etc.) to help with customs clearance.

Couriers aren't liable for your tax compliance, so they aren't necessarily incentivized to provide rigorous guidance. You might overpay or underpay if they use an incorrect tariff code and duty rate. Value your goods accurately and describe them properly. Some businesses undervalue goods or declare one type of item as another to avoid paying a higher duty rate. Governments have noticed this tactic and are cracking down more than ever. Goods can also get stuck in customs if the description of the item(s) is unclear.



5 Your shipping company files an import declaration.

Watch out for specially regulated products. Many countries flag specific products for additional import duties and charges. For example, duties, special fees, and import taxes for a car shipped to Singapore can cost more than the car itself.

6 Your shipment is transported to the destination country.

Individual countries apply duty rates to products differently. For every new country that your customers order from, tariffs, taxes, duties with varying rates, rules, forms, and other obligations need to be considered. For instance, a particular shoe might be charged 12.5% duty in the U.S. In Australia, that same shoe could be charged 5% duty. In Canada, it's 18% duty.

7 Customs duties, taxes, and fees are assessed.

If an order changes, avoid last-minute guesses about taxes. Back-of-the-envelope calculations can turn costly if estimates are incorrect or a transaction exceeds the **de minimis threshold**.

8 Your customer receives their order.

Keep customers happy by calculating and communicating duties and taxes. Customers discovering that they must pay extra to get their goods at delivery is an unwelcome surprise. They might even refuse the delivery, leaving you on the hook for return shipment (plus the cost of the lost sale and, most likely, a lost customer).



As you can see, cross-border ecommerce can get a little complicated. But with some extra knowledge and a helping hand, you can confidently find new customers for your products all over the world. For more information, check out our 5 steps for managing VAT in the EU and U.K. post-Brexit.

Whatever you need to go global, Avalara can help.

Avalara VAT Registration

Get help determining whether registration is required, along with step-by-step guidance throughout the registration process. Remove the hassle of dealing with multiple taxation authorities, reduce compliance risk, and save time spent on researching and checking VAT identification numbers.

Avalara Tariff Code Classification

Automate the assignment of HS codes, allowing you to collect customs duty and import taxes upfront, with a solution that seamlessly integrates with Avalara AvaTax Cross-Border. Reduce risk of customs delays, penalties, or surcharges, and deliver a transparent customer experience at checkout. From self-serve capabilities to managed classification services combining artificial intelligence with human-validated codes, Avalara has a solution made to fit your business.

Avalara AvaTax Cross-Border

Minimize surprises for buyers by estimating customs duties and import taxes at the point of purchase, without providing upfront HS codes. Take advantage of treaties to access lower rates and save money. Simplify your compliance process through a unified tax platform.

Avalara AvaTax for VAT

Calculate VAT with greater accuracy and reduce audit risk. Remove the need to update VAT tables and rules. Support efficient use of the business's resources with a solution that scales with you and seamlessly integrates with your software and other Avalara products.

Avalara VAT Reporting

Increase accuracy, improve efficiency, and reduce manual processes while removing the complexities of filing VAT returns in multiple countries. Integrates with your ERP, accounting, and managed information system software to create and file timely returns.

Avalara Trade Restrictions Management

Learn about applicable government restrictions on selling goods across borders. This foresight enables more effective merchandising, which can help you reduce costs, focus on profitable transactions, and deliver a superior customer experience.