



5 steps to managing VAT

Software companies

STEP ONE

Understand the taxability of your products

How countries with VAT systems classify digital services is not universal. Some may have additional compliance requirements, and some may apply reverse charge mechanisms exempting sellers from the requirement to register locally. Further variations in requirements can occur when it comes to B2B or B2C supplies.

Manually determining how your services are taxed can be error-prone, especially when you're operating in multiple markets or are unsure where your customers are at the point of sale.

An automated solution can integrate into the systems you already use to help you apply the correct rates to your products and services, giving your customers more accurate prices at checkout.

STEP TWO

Know where you have VAT obligations

Countries around the world have special rules for how they tax software, and tend to take different approaches from one region to the next. When you don't know where your next customer is coming from, new requirements and VAT obligations that you're not even aware of can be triggered. It's important to stay as up to date as possible on global rules.

Automation can give you the latest tax data from all countries with VAT systems and apply digital service rules to your transactions. This helps you determine your obligations and keeps you updated on changing regulations, even without knowing where your next customer will be coming from.

STEP THREE

Register to report VAT

Once you know where you have obligations, you must register for VAT. The process may differ from country to country and can be time-consuming. And new customers in new locations can appear at any time, triggering potential further obligations. Local language requirements and the need for fiscal representation can add to the complexity and increase the risk of errors.

The One-Stop Shop (OSS) was created to simplify registration requirements. It allows digital services businesses selling B2C into the EU to register in a single EU member state in order to operate in all 27.

Automation can help simplify your VAT registration processes by helping you take advantage of simplification schemes. With the load lightened, you can focus on more revenue-generating aspects of your business.

STEP FOUR

Calculate the correct VAT

Correctly calculating VAT and GST rates will help make your transactions as smooth as possible. Doing this manually can be a challenge – rates aren't universal and customers from all over the world can purchase your services.

Automated solutions can give you data on current and future legislation in every country with a VAT/GST system. This can help you quickly and accurately determine correct VAT and GST rates to reduce the risk of errors and cancelled sales.

STEP FIVE

Report VAT to tax authorities

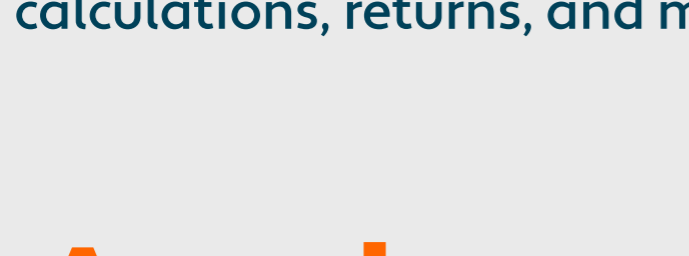
The final step is to report your business activities to the tax authorities. This is done by filing returns – but the frequency, thresholds, and deadlines can vary by country. And differing rules around the world mean digital service providers can have more regulatory changes to follow than other businesses.

Keeping track of everything can be stressful. Especially when you're not a global VAT expert. A managed service provider can do the hard work for you – helping you stay on top of your growing obligations and letting you focus on what you do best.

Connect with Avalara

The complexity of international tax compliance requirements can hinder your growth in global markets. Avalara automation can help you understand, determine, and manage your obligations so you can focus on what you do best. Speak with Avalara today about freeing your business from compliance burdens.

[Learn more](#) about how Avalara can help your business manage VAT registrations, calculations, returns, and more or call one of our sales specialists at +44 (0)1273 022400.



Tax compliance done right

