



5 steps to managing VAT

STEP ONE

Understand the taxability of your products

Most countries with VAT systems have standard-, reduced-, and zero-rated goods and services. This means a product can have different rates applied to it in different countries.

Manually calculating the rates can be error-prone, especially for large numbers of transactions in multiple markets.

An automated solution that integrates into the systems you already use can help you apply the correct rates to your products, giving your customers more accurate prices at checkout and improving reporting accuracy.

STEP TWO

Know where you have VAT obligations

If your business sells into international markets, you're almost certain to have VAT obligations. These will depend on the nature of your business activities and the dynamics of your supply chain. If you sell into both EU and non-EU countries, your requirements will vary in each.

It's important to understand which of your business activities create VAT obligations, and where, by staying as up to date as possible on the rules.

Automation can give you the latest tax data from all countries with VAT systems to help you determine your obligations and keep you aware of changing regulations.

STEP THREE

Register to file VAT returns

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 costly. Local language requirements and the need for fiscal representation can add to the complexity and increase the risk of errors.

Import One-Stop Shop (IOSS) was created to simplify registration requirements for businesses selling into the EU. It allows them to register in a single EU member state in order to operate in all 27.

Automation can 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 and customs duties

Harmonised System (HS) codes are 6- to 12-digit identifiers assigned to every product sold across international borders. They enable customs authorities to apply the correct duties and taxes, but countries can assign different codes to the same product.

Determining the correct codes and assigning them to your products is essential. The wrong codes could mean holdups in customs and surprise costs for your customers for releasing their purchases – which won't have them rushing back to buy again.

Automation can help you quickly and more accurately determine and assign the correct HS codes to your products for each country you sell to. This reduces the risk of unnecessary customs delays and helps keep your customers happy with prompt delivery.

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 and exact reporting requirements can vary by country. It's also important to track VAT threshold breaches and reporting deadlines in all the countries you operate in, which can be challenging for an expanding business.

Automation can help reduce the stress of tracking – and missing – deadlines in multiple locations. By flagging crucial dates, it can help you stay on top of your growing obligations and reduce the chances of penalties and audits.

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

