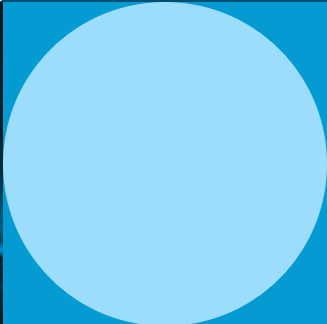




MASTERING **GLOBAL TAX COMPLIANCE FOR SHOPIFY:** How Avalara Supports Seamless E-Commerce Growth





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Global e-commerce is estimated to reach [\\$8 trillion](#) in sales by 2028, including an [8.4%](#) annual increase this year.

The numbers are expected to continue growing, leading to the rise of massive opportunities for retailers. Along with its growth, global e-commerce has also presented online merchants with challenges.

Global tax compliance is one of those complex yet unavoidable challenges. It becomes even more complicated when factoring in seasonality and omnichannel shopping behaviors.

Global e-commerce
is estimated to reach
\$8 trillion in sales by 2028

Source: [EMARKETER](#)

Omnichannel sales create tax complexities

Sales across in-person and online channels create tax complexities, from online purchases that are returned in-store and various tax rates across cities, counties, and states, to constantly changing compliance requirements in different countries. Tax calculations must be automated, accurate, and compliant whether selling through an e-commerce website, app, or third-party site (social platform) and marketplace.

THE NEED FOR SEAMLESS OMNICHANNEL SUPPORT

Today's shoppers browse, research, and buy across channels. They expect a personalized experience throughout their shopping journey—from product discovery while social scrolling to product searches in apps or e-commerce websites.

A [2023 McKinsey & Company research](#) shows that 3 out of 4 consumers want a seamless omnichannel experience while shopping and use at least three channels in their buying journey. [McKinsey & Company](#) even went so far as to say that an omnichannel experience is “a requirement for survival.”

Much of the sales channel expansion is happening online. By 2033, [nearly two-thirds of all consumer spending will occur in digital spaces](#).

An omnichannel approach offers businesses higher sales potential and provides customers with greater convenience and flexibility. However, it can also be a double-edged sword, presenting numerous growth opportunities alongside significant challenges.

As businesses expand their sales footprint, they need to consider efficient cross-channel communication, systematic inventory syncing and management, and sales tax compliance.



3/4 of consumers want a seamless omnichannel experience and use at least three channels in their buying journey.

Source: [McKinsey & Company](#)



By 2033, nearly **2/3** of all consumer spending will occur in digital spaces.

Source: [VML](#)



TAX COMPLIANCE CHALLENGES FOR OMNICHANNEL SELLING

Sales channel expansions result in customer acquisition, but omnichannel sales can also present an array of tax compliance complications. When the expansion happens online—whether in marketplaces, social platforms, or apps—it is likely that new customers are from different locations.

And once businesses increase sales in other states, it can trigger new [economic nexus obligations](#). Nexus obligations require businesses to register, collect, and remit sales and use tax in new jurisdictions. Different jurisdictions have different sales thresholds, and it is extremely difficult to monitor when retail sales are crossing an economic nexus threshold without a system in place to automatically alert businesses.

Most built-in sales tax automation in e-commerce platforms calculate sales taxes based on location, not jurisdiction, which can result in penalties for incorrectly filing sales tax returns.

Global sales can create even more compliance hurdles. Tax compliance heavily differs per country and often changes constantly. Inaccurate calculations and tax collections can also lead to penalties.

On top of sales, there are also various tax obligations if you have out-of-state inventory, employees, or affiliates to support your omnichannel channels.

AUTOMATION TO ACHIEVE TAX COMPLIANCE

Tax compliance across multiple sales channels is daunting and overwhelming, with the need to know and understand the different rates, their applications, and exemptions across channels and geographies, coupled with the need for accurate, up-to-date, and consistent sales tax content.

Tax and duty rates based on the latest local tax rules and global trade regulations change frequently. Instead of relying on error-prone manual or siloed tax systems, automation is key to achieving tax compliance in an omnichannel sales setup.

Avalara's automated solution can calculate VAT, GST, customs duties, and sales and use tax. It also helps increase business efficiency by consolidating all sales data from different sales channels into a single combined statement.

“ Many businesses believe they’re doing tax correctly only to find out during an audit or other event that’s not the case”

– **Meg Higgins**, Senior Vice President of Global Partners at Avalara.

“Many businesses believe they’re doing tax correctly only to find out during an audit or other event that’s not the case,” says Meg Higgins, Senior Vice President of Global Partners at Avalara. “It’s very stressful for the business because it leads to a significant loss they can’t recoup. You can’t go back and tell a customer, ‘I forgot to charge you \$7 for that transaction two years ago.’”

A business’s e-commerce platform is pivotal in meeting tax obligations and staying compliant. Shopify Plus unifies your e-commerce and in-store channels, along with social and marketplace platforms like Meta and Amazon, and integrates with tax compliance automation software like Avalara to make tax compliance easier through accurate tax calculation and collection.

In fact, Avalara monitors tax and tariff changes and updates them in real time, applying them in its tax engine to accurately calculate import taxes and customs duties within milliseconds during purchase.

[Berkshire Blanket & Home Co.](#) is a perfect example of achieving tax compliance in an omnichannel sales setting. Established in 1993, Berkshire Blanket & Home Co. supplies more than 130 million premium-quality blankets, throws, and other soft home goods to top retailers around the world.

Though Berkshire primarily sells to tax-exempt retailers (wholesalers), it quickly realized that its in-house matrix was risky and inefficient when it started B2C (business-to-consumer) e-commerce.

Emily Pfeiffer, Berkshire Vice President of Marketing and Digital, knew they needed a new sales tax matrix. “It gets complicated quickly, especially for a core business that is all about wholesale,” she explains. “In no time we were adding new warehouses, doing more business through Amazon.com, and adding remote employees in new states – all of which further complicated our tax obligations.”

It didn’t take long for Berkshire to partner with Avalara for their tax determination and calculation. Avalara simplified the complexity of sales tax compliance in an omnichannel sales environment like Berkshire’s and enabled bolder growth plans as Berkshire grew confident in its tax compliance.



Robust infrastructure is critical for high-volume sales

Businesses need infrastructure built to handle high-volume surges in shopper activity so merchants can focus on increasing sales, meeting customer needs, and positioning themselves for growth. A solid and robust system can address tax holidays, flash sales, and competitive pricing pressures without any problems.

SCALING UP BUSINESS DURING RETAIL PEAK SEASONS

Peak sales seasons are great opportunities for expansion. For most retailers in the U.S., the period between Black Friday (the day after American Thanksgiving) and Christmas is the biggest peak season.

Last year, Shopify merchants rang up [\\$9.3 billion](#) in sales from Black Friday Cyber Monday (BFCM) weekend. Globally, approximately 61 million consumers purchased from Shopify-powered brands and more than 55,000 merchants had their highest selling day ever on the platform. At its peak, Shopify handled a staggering 58 million requests per minute—that's 967,000 requests per second.

Last year, Shopify merchants rang up **\$9.3 billion** in sales from Black Friday Cyber Monday (BFCM) weekend.

[Source: Shopify](#)



U.S. online sales predicted to hit **\$240.8 billion** this holiday season – a staggering 8.4% increase over 2023.



[Source: Adobe](#)

This year, [Adobe](#) predicts U.S. online sales will hit \$240.8 billion this holiday season –a staggering 8.4% increase over 2023. During peak sales season, tax automation is critical to accurately and efficiently managing the sales influx, especially for omnichannel and global retailers balancing online, in-store, and global sales.

THRIVING IN SALES SURGES

Being prepared to handle the volume during peak sales season or sales surges is the key to not only surviving but thriving.

Shopify and Avalara's platforms can support this kind of high transaction volume and are robust enough to handle expected peak sales and all the complexities that arise with global and cross-border sales.

“This is a real concern for small to medium-sized merchants looking to expand in the U.S.,” said Patrick Neu, Director of Strategic Partnerships at Avalara. “And Black Friday has been embraced by retailers in countries that don’t celebrate Thanksgiving, making it an international promotional opportunity.”

THE ADDITIONAL COMPLEXITY OF RETURNS

While global and omnichannel sales present tax complexities, product returns during the holiday season add another level of complexity. The [National Retail Federation](#) (NRF) reports that consumers

return 15.4% of all holiday purchases, and tax calculations on these returns can be complicated.

For example, did a shopper buy online and return the item in-store in a different tax jurisdiction? Have tax rates changed between the time of purchase and the return? Again, this is where tax automation becomes crucial.

STAYING TAX COMPLIANT IN THE BUSIEST TIME OF THE YEAR

The increased revenue retail peak season brings comes with a bigger tax footprint. Using tax automation software integrated with your e-commerce platform cuts down processes significantly.

Tax automation software like Avalara can ease merchants’ workloads during peak seasons by improving efficiency, error reduction, real-time updates, improved reporting, and seamless integration.



IMPROVED EFFICIENCY: Stay in your lane of expertise and be laser-focused on areas in which you excel as a merchant—handling e-commerce operations. Leave the understanding of the myriad of tax rules and regulations locally, nationally, and globally to experts like Avalara.



ERROR REDUCTION: Mismatched data can potentially trigger an Internal Revenue Service (IRS) audit, and incorrect tax calculations can result in fines and other penalties. Automated tax compliance reduces errors and, therefore, potential fines and operational interruptions.



REAL-TIME UPDATES: Tax rules are often updated and changed during peak seasons when additional taxes could be imposed. Avalara is always updated with these ever-changing tax rules.



IMPROVED REPORTING: Through detailed reporting and accurate data given by Avalara, merchants can easily decipher successes and failures, and improve season over season.



SEAMLESS INTEGRATION: Avalara automation software integrates seamlessly with Shopify, individual merchants, and various marketplaces and third-party sites.

Compliance for cross-border transactions is essential for long-term growth

Online shopping has made the world smaller for the consumer, but larger for the merchant. As global sales continue to impact e-commerce, merchants need to be versed in potential tax liabilities and obligations associated with selling to new markets. Moreover, it is necessary to have solutions in place to help handle tasks like applying the correct Harmonized System (HS) codes when shipping goods across borders.

Such was the case for [ICONIC London](#), a leading brand for everyday glamor makeup and luxury skincare hybrids. Founded in 2015, they were already making sales to U.S. consumers marked as export sales from the UK.

Eventually, the company adopted an e-commerce model in the United States and met tax compliance challenges. But the company didn't want to hold back the potential of the business because of sales tax requirements.

“ We couldn't have achieved what we have without having [Avalara] to help facilitate”

– **Ann Masson**, Chief Financial Officer of ICONIC London

ICONIC London uses Shopify, so the fact Avalara had a prebuilt integration was critical. With Avalara AvaTax connected to ICONIC London's Shopify store, all of the relevant tax calculations are made automatically at the point of sale.

Ann Masson, Chief Financial Officer of ICONIC London, credits Avalara with being a key enabler of ICONIC London's direct-to-consumer expansion into the U.S. market. “We couldn't have achieved what we have without having that tool to help facilitate us building that business,” she says.



SCALABILITY AND RELIABILITY ARE NECESSARY FOR GROWTH

Avalara's solution has the scalability and reliability that growing retailers require in both the near and long term. Growth is the business goal, and achieving it requires a solid tax automation solution that is capable of supporting that growth.

Take the case of [Diamondback Branding](#), a company that has been printing and engraving drinkware, coolers, and other gear, from earbuds to lighters, since 2012.

Diamondback founder and Chief Executive Officer William Lovelace said their company grew relatively fast, going from a garage in New Mexico to roughly a \$15 million-per-year company.

Back then, Diamondback was an e-commerce company doing business in multiple states but collecting tax in only one, and the rapid growth brought a new level of scrutiny to

I decided to go with Avalara because I knew we had to **automate tax calculation and filing.**"

– **William Lovelace**,
Diamondback founder
and Chief Executive Officer

the business's sales tax compliance. William said they were breaking nexus thresholds in dozens of states. "We preemptively took action to avoid a bad audit."

William decided to go with Avalara because he knew they had to automate tax calculation and filing. As a result, not only did they save time and effort to ensure they were compliant across all tax jurisdictions, but the process also simplified and streamlined their processes while supporting their continuous growth.

Conclusion

Automation is essential, and Avalara makes a complex and critically important task easy.

Avalara simplifies the complexities of tax collection for merchants, from the basics—collecting tax on purchases—to navigating tax holidays and peak times, global commerce, and the challenges of growing an omnichannel business.



Avalara is a longtime Shopify partner and has been providing tax calculation services for Shopify customers since 2015. With Avalara's expanded partnership with Shopify through the Shopify Tax platform, Avalara can now serve all Shopify customers with their global tax compliance requirements, including sales tax, value-added tax, and exemption certificate management., and more.



Avalara

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