



Removing barriers to global ecommerce growth.

Your 10-step guide to compliant commerce.

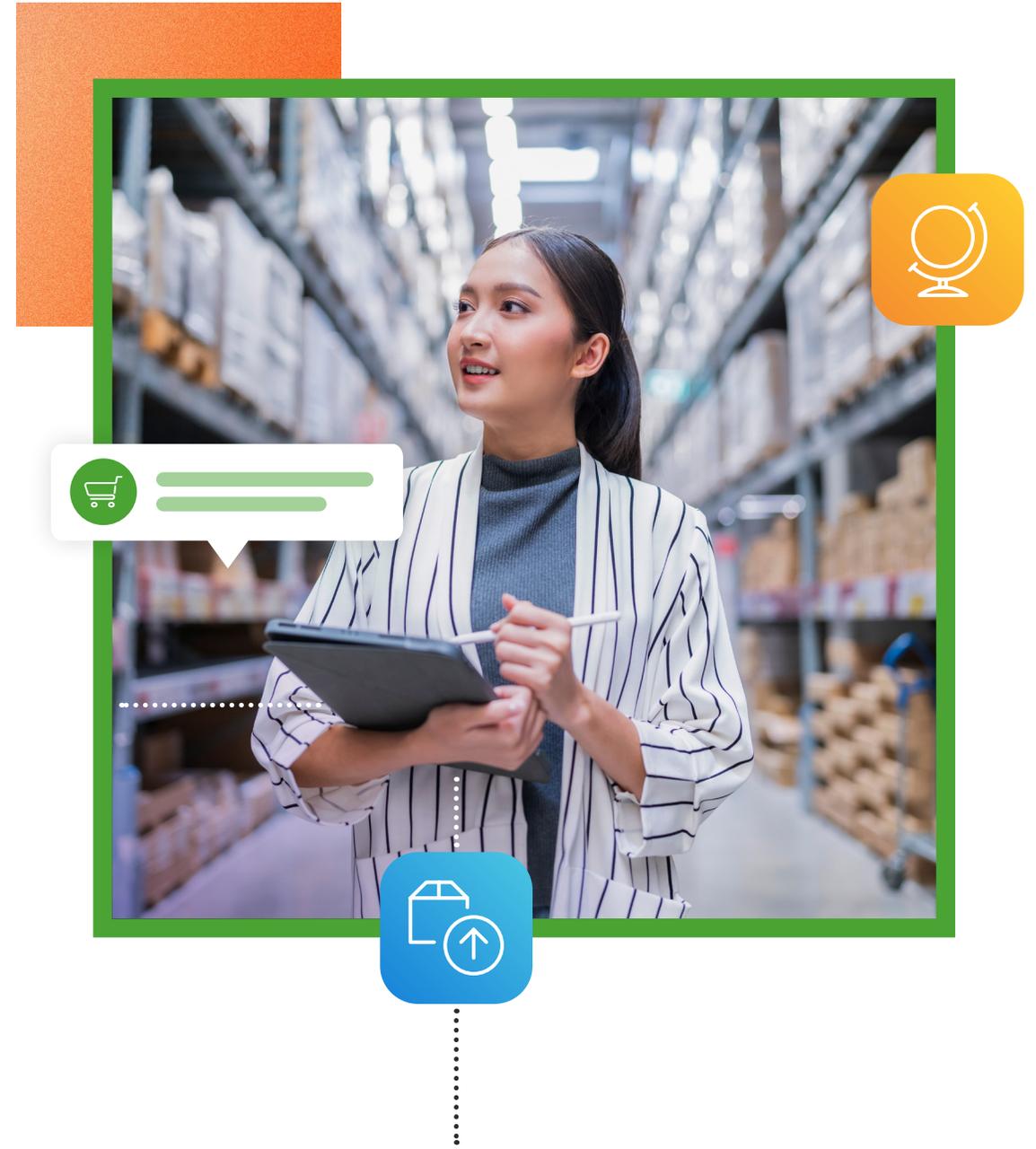


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Opportunities for commerce growth

Expanding your business into new regions offers incredible opportunities for growth. However, it can also present a myriad of challenges, from identifying localized payment and delivery providers to navigating complex tax regulations and invoice compliance. Finding the right partners and understanding the unique tax rates and rules, as well as the reporting and invoicing standards, are essential for both successful expansion and maintaining compliance.

To strike the right balance, businesses must carefully assess the potential rewards of expansion against the risks and complexities involved. Effective strategies for international growth often involve leveraging technology and expert guidance to navigate cross-border compliance issues efficiently, ensuring that the opportunities for business growth are maximized while the risks are managed effectively.

In this eBook, we'll guide you through the intricacies of cross-border compliance, including tax calculation, invoice regulations, and reporting when selling into the US and Europe, and a checklist of considerations for expanding globally. You'll also discover how commerce and tax technology solutions from Adobe Commerce and Vertex can help bolster compliance by ensuring accurate pricing and supporting a frictionless commerce experience to aid your strategic growth now and in the future.



Expanding internationally sounds really fun and really easy—but if you jump into it without being prepared, you're going to hurt your company pretty aggressively. We've seen companies that only operated in the US enter major European markets only to realize they have no idea how to deal with tax, duty, and border controls."

Jennifer Biester

Principal Solutions Consultant, Adobe

Expanding into new regions

Regardless of where your business is based, there are opportunities for growth. Cross-border ecommerce continues to rise in popularity, and international markets in particular offer tremendous expansion opportunities for companies wishing to enter a new market.

Expanding into the US

North America presents 20.3% of global retail sales,¹ making it the second largest market behind Asia-Pacific. With the increased projection of 2.3 million cross-border buyers in the US in 2023, a 3.4% YoY growth rate,¹ it underscores the significant opportunities for commerce growth, whether you aim to expand business operations from Europe or from within the US.

Expanding into Europe

Europe, the third-largest market globally, accounts for 12.6% of global retail sales. The top five economies of Europe (Germany, the United Kingdom, France, Italy, and Spain) are poised to collectively post retail sales of €2.5 trillion in 2027,² making it an attractive market for US based companies to expand into Europe or for businesses to scale their operations into more of Europe.

71.8 million

US consumers aged 14+ will be cross-border buyers in 2024. That's up nearly 25% since 2019.¹

Nearly 1/3

of all US digital buyers will make overseas purchases online in 2024.¹

There's no doubt that expanding business operations into new regions offers substantial possibilities for growth. Each new market your business enters has untapped potential and a larger customer base, which in turn can lead to increased market share and revenue. However, it's crucial to understand that with international expansion also comes a heightened level of complexity and associated risks, primarily related to cross-border compliance. Understanding the tax systems and governing new markets is essential for ensuring compliance and achieving success.

Understanding cross-border compliance

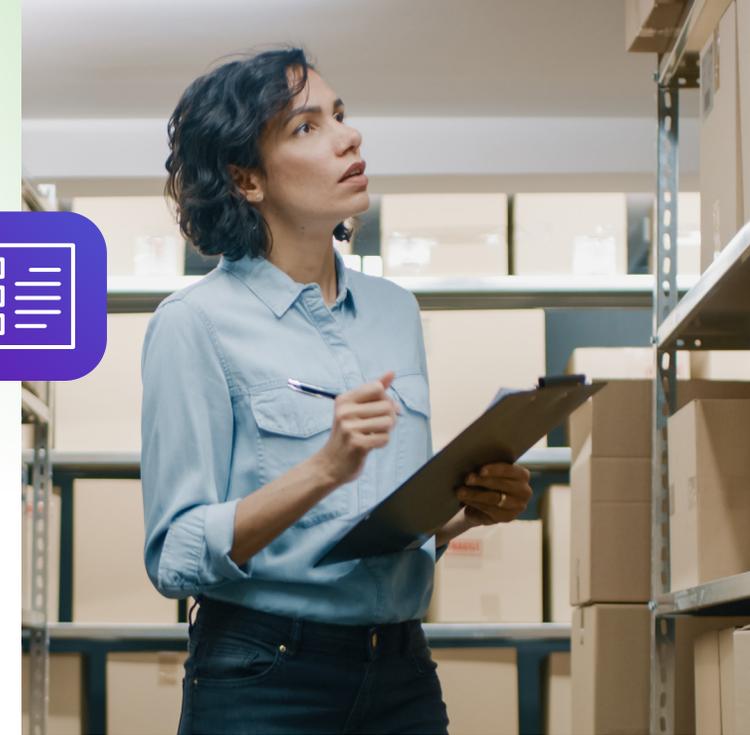
As your ecommerce footprint grows, you'll encounter new jurisdictions, each with its unique set of rules, regulations, and compliance requirements. Navigating and adhering to these regulations can be challenging and time-consuming. However, non-compliance is not an option, as it can have devastating financial and legal consequences for your business.

When entering a new market for the first time, sellers must familiarize themselves with the respective tax systems. Understanding the key differences between regions, especially when navigating the complexities of cross-border commerce in the US or Europe, is the first crucial step to ensuring compliance and success.

US vs. European taxation

The US and Europe have vastly different approaches to taxing goods and services sold within their borders. European nations use the Value Added Tax (VAT) system found around the world, while the US applies a one-time sales tax at the point of sale. Each European nation sets its own tax governance and rates, while in the US each state, county, and city has independent authority. One thing is universal: failure to comply with the rules can have detrimental impacts on businesses, resulting in lengthy audits, penalties, and expensive fines.

Investing the time and effort to understand the tax system in your target market can help you avoid the pitfalls—and penalties. Now, let's delve into the distinctions between US sales tax and VAT, and learn how Adobe Commerce and Vertex can help you get global compliance right from the start.



It's easy to deploy storefronts and sell into multiple markets. What's difficult is deploying business into those multiple markets. And that's across the board for all areas of fulfillment, tax compliance, pricing—everything.”

Shaun McCran

Head of Product Marketing, Adobe Commerce EMEA

Mastering sales tax compliance in the US

In the US, each state is responsible for setting the sales tax rules within its borders. Local government agencies, including counties, cities, and other districts may also have the power to set transaction taxes and fees, all with their own remittance rules and deadlines.

How sales taxes are determined adds yet another layer of complexity. Standard sales tax rates are typically, but not always, a percentage of the item's cost. Some are based on the point-of-sale location, while others are set based on destination (e.g., the customer's location). Specialty taxes such as [Washington State's Spirits](#) (liquor) taxes and [Colorado's Retail delivery fee](#) or [Delaware's lodging tax on vacation rentals](#), add to the complications. Additionally, items can be classified and taxed differently, such as food, based on ingredients. For example, a protein bar may be identified as a candy vs. a health food.

Some states also implement [sales tax holidays](#), which are specific periods during which certain items are exempt from sales tax. These holidays are designed to promote consumer spending and offer temporary tax relief to shoppers. However, the rules and items covered during sales tax holidays can vary significantly from one state to another, adding yet another layer of complexity.

Keeping up with the various guidelines and dates for collecting and remitting tax to multiple entities is extremely important to do—and difficult to manage. Accurate tax collection is fundamental to remaining compliant. Companies must factor in all applicable tax rates, including state and local, for each locality in which they plan to sell.

Collecting the wrong amount, whether too little or too much tax, can have serious ramifications for merchants. Sellers who fail to collect all required taxes must pay the difference, inviting the risk of audit, penalties, interest, diminished margins, and legal fines. Conversely, overpayment can also inflate pricing, leaving sellers open to civil liability and penalties, and negatively impact their reputation. Either scenario can hurt financially, and have a far-reaching effect on the customer experience and brand reputation.

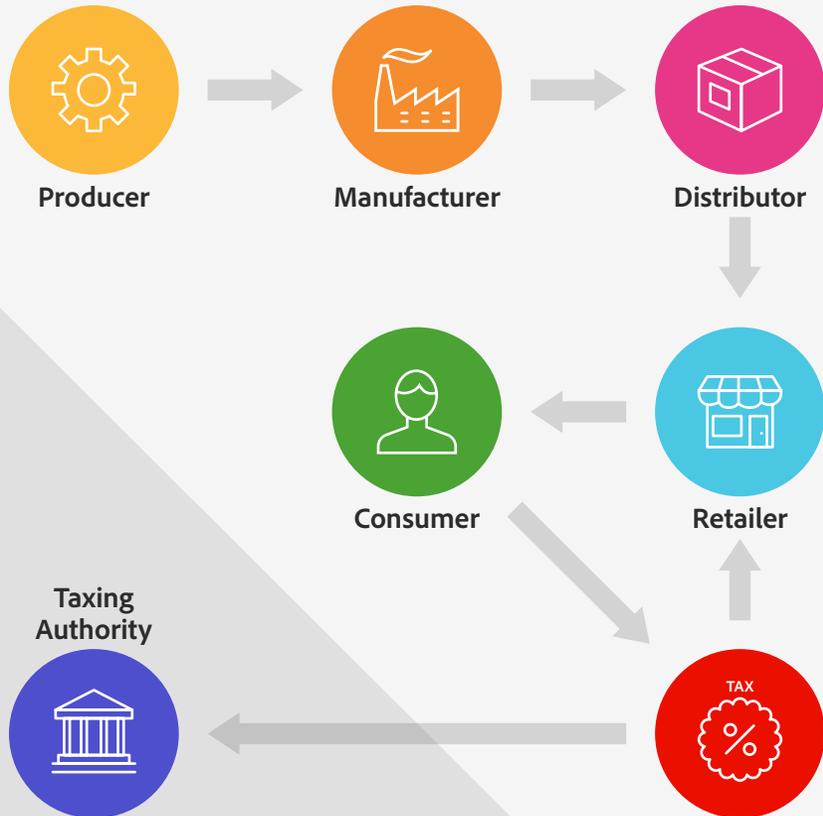


Sales tax may appear to be simple on the surface. However, the variance in rates and rules across state, city, and government lines, combined with the addition of unique regional taxes and fees—such as the Colorado Delivery Fee and Mattress Recycling Fees—quickly reveal the complexity of compliance.”

David Read

Director of Sales Engineering, Vertex, Inc.

How Sales Tax Works



Navigating VAT compliance in Europe

In Europe, VAT serves as a foundation for taxation on goods and services. VAT is a general consumption tax assessed on the value added to goods and services. Unlike US sales tax, which is added to the price of goods, VAT is typically included in the advertised price of goods. European businesses both incur and charge VAT, thereby differing from the sales tax mechanism. VAT is collected at various points along the supply chain—or each time “value” is added to an item—with the end consumer ultimately bearing the burden of the accumulated VAT.

Each European country sets its own VAT rates, remittance rules, and deadlines for filing VAT returns. They also set the criteria for VAT registration. Common triggers for registration include:



Requiring organizations to register separately in each country in which they meet the threshold, bringing additional unique compliance requirements for reporting, filing, and remittance.



Conducting remote sales of goods or services to customers in EU member nations.



Selling digital services, such as online streaming or gaming.



Once registered, organizations are obligated to adhere to VAT rules and regulations in the correct currency and language of the respective country. This includes accurately charging VAT to goods and services sold, creating and delivering a compliant invoice for the transaction, and filing complete, accurate VAT returns on time. Failure to account for VAT can result in significant penalties, which can vary from one country to another in line with local tax non-compliance penalties.

Barriers to growth in Europe are:



Challenges with accurately calculating tax in every relevant country/region/jurisdiction.



Lack of staff and expertise to manage global compliance requirements.



Cost of compliance due to currency conversion solutions (FX) and complexity of requirements.



Risk of penalty and audits.

VAT compliance software streamlines the process for sellers, enabling them to conform seamlessly to the unique rules of each jurisdiction. Automation can also streamline cross-border transactions as your business expands beyond a single point of sale in Europe.

US sellers eyeing European markets should be aware that many European Union (EU) member nations are implementing new VAT reporting obligations, which may supplement—or potentially replace—traditional VAT returns. Some nations are also experimenting with new methods for VAT remittance. Additionally, tax authorities are deploying new tools to cross-check transactional-level data with VAT returns, without needing to perform tax audits.

EU VAT facts

Europe is comprised of 44 nations, of which 27 are members of the EU—and subject to EU tax regulations.

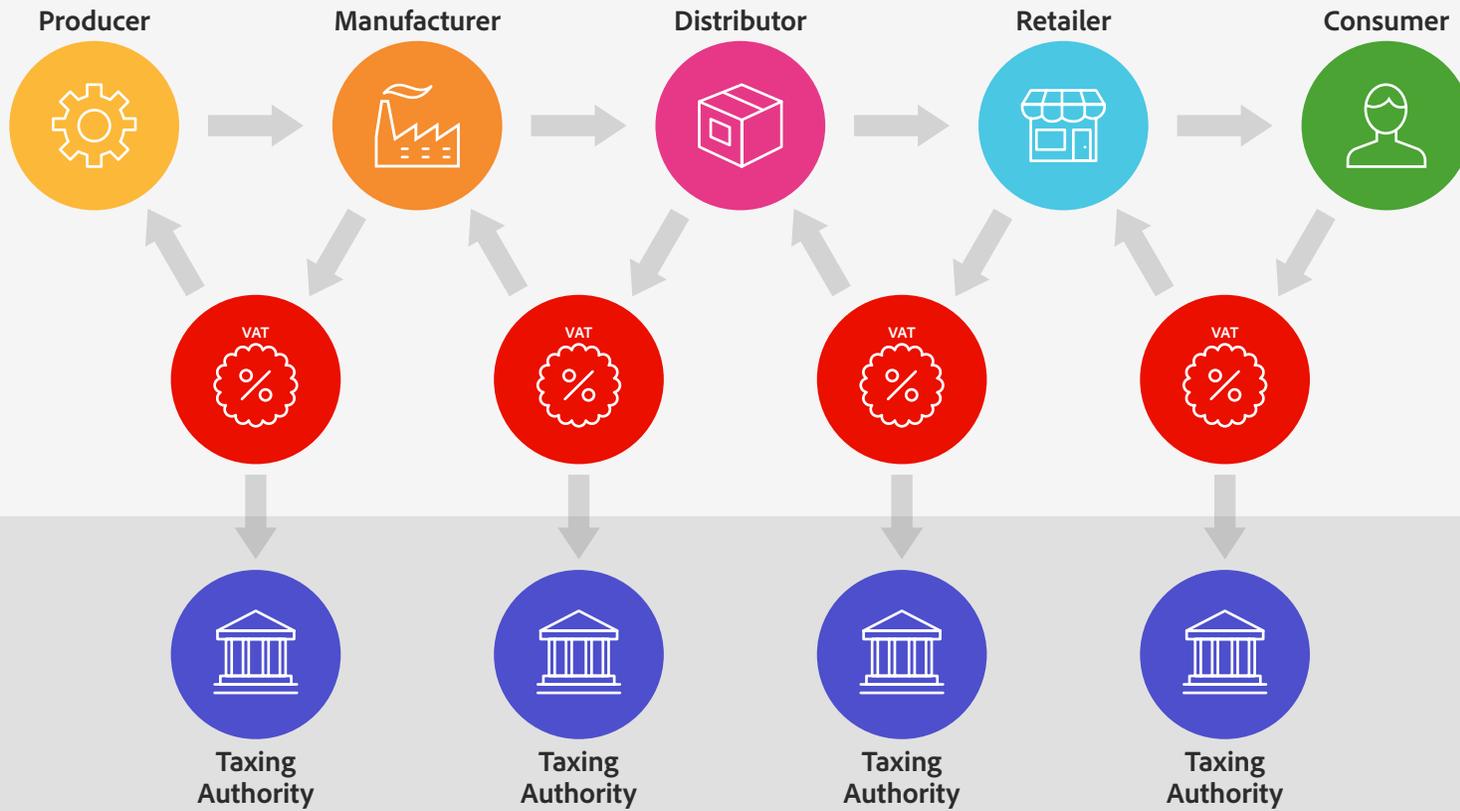
As of 2023, EU member nations are required to set a minimum 15% VAT rate, higher than the rate set by some non-member nations.

EU member states are allowed to apply two reduced VAT rate categories to a subset of goods or services from those listed in the VAT Directive, such as clothing or eBooks.

Most member states also allow a zero-rated VAT rate, which is effectively VAT applied at 0% but different from “exempt” or “out-of-scope” treatments for the sellers of those goods or services.

European nations that are not EU members are not subject to these rules.

How VAT Works



The importance of compliant invoicing in international commerce

Cross-border commerce amplifies the significance of invoicing in ensuring tax compliance. In the digital era, invoicing has evolved from traditional paper forms to digital or electronic formats, each governed by distinct rules that vary across jurisdictions. Navigating these specific regulations, and understanding the key differences between each, is imperative for businesses engaged in cross-border commerce to guarantee both seamless transactions and compliance.

Digital invoicing: Digital invoices can come in many forms, such as PDF or other human readable files. To be compliant, sellers must adhere to the invoice format mandated by the buyer's jurisdiction. Regulations often stipulate essential details, including sender and recipient information, invoice date, number, tax ID, and itemized descriptions of goods. Some jurisdictions require invoices to carry a digital signature for authenticity. While standardized structures for automated processing may not always exist, strict storage requirements, regulated by each country, are crucial to safeguard document accessibility.

eInvoicing: An electronic invoice or eInvoice is a data file that is transferred between computers, which is not meant to be human readable. To be compliant, sellers are mandated by local authorities to deliver electronic invoices through structured, machine-readable transactions (XML or JSON). These invoices, transmitted in near-real time through Electronic Data Interchange (EDI) systems, track and validate global VAT liability and registration IDs. Facilitating the transfer of invoice data between regulatory systems and a seller's business systems.

In an ever-evolving global business landscape, countries are consistently adapting and refining regulations. Businesses engaged in cross-border transactions must vigilantly adhere to digital invoicing, eInvoicing, and VAT regulations to avoid potential consequences such as lost business, financial penalties, and legal repercussions.

VAT compliance and invoicing

Ensure your VAT calculation, FX rate, language, and formatting within each invoice are accurate. Incorrect calculations or failing to report accurate data in real time can make you noncompliant with a country's VAT regulations.

“ Accurate invoices are not just pieces of paper or digital files; they're the bridge that connects your business with international markets. Accurate and compliant invoices not only facilitate the seamless flow of goods and services but also play a pivotal role in adhering to VAT regulations and avoiding potential penalties.”

Niall Kiernan

Sr. Director of Product, Vertex, Inc.

US vs. European Compliance

	Sales tax (United States)	Value Added Tax (Europe)
Definition	One-time tax applied to items at the end of the supply chain. Sales tax is not collected until the sale is made to the final consumer.	Multi-tier tax applied at each stage of the supply chain (whenever “value” is added to the item), including the final sale to the consumer.
Complexity & rates	<p>The US does not have a national sales tax. Instead, sales taxes are based on the customer’s location. Taxes may be set by a state, county, city, or regional government, or a mixture that can create multiple tax charges on one sale.</p> <p>Five US states do not collect sales tax: Alaska*, Delaware, Montana, New Hampshire, and Oregon. Note: other taxes and fees may still apply. For example, Delaware charges a rental tax.</p> <p>In the US, certain states and regional governments also have unique tax holidays and exemption requirements. Both are important and can represent both revenue opportunities and risk from an audit and penalty perspective.</p> <p>*Municipalities in Alaska are allowed to charge local sales tax.</p>	<p>Each European country sets its own VAT rate. However, some tax jurisdictions, like the Vatican, Monaco and Jersey, independently manage their tax rates beyond their national borders</p> <p>The EU requires member countries to charge a minimum VAT rate of 15%. Some items may qualify for a reduced rate.</p> <p>European countries not affiliated with the EU are not required to meet the minimums.</p>
Collection point	Final purchaser (consumer) at point of sale	All purchasers (suppliers, manufacturers, distributors, retailers, end consumers) at each step of the manufacturing process
Reporting and filing requirements	Unique by jurisdiction (i.e., state, county, city or district)	Unique by country
Invoicing requirements	Not currently a requirement. There is testing being done in the US around eInvoicing.	Regulations vary from country to country and region to region for digital and physical goods
Record-keeping challenges	Multi-tiered and complex system with thousands of jurisdictions	Selling in more than one country complicates record-keeping requirements
Summary	<p>Most (but not all) US states apply a one-time sales tax to purchases at the point of purchase. This may include state, city, and/or other local taxes based on purchase price.</p> <p>Reporting and filing requirements are unique by location. This multi-tiered and complex system means sellers may have to manage and remit taxes to thousands of jurisdictions.</p>	<p>The Value Added Tax (VAT) system used in Europe applies tax at each stage of the supply chain (whenever “value” is added). Each European nation determines its own taxation rate and governance; EU member nations are required to charge a minimum VAT of 15%.</p> <p>Each country has unique reporting and filing requirements. Selling in multiple markets can make record-keeping difficult.</p>

10 must-knows before expanding globally

Use this checklist as a guide to help ensure compliance as your business expands globally:

1

Understand your tax obligations

Familiarize yourself with the specific tax rules and regulations in each market you plan to enter, including nuances related to sales, use, and Value Added Tax. If your business involves digital products or services, be aware of specific rules related to digital VAT, which are often separate from standard tax regulations.

2

Determine if you need to register for tax

Research the sales thresholds and registration requirements in each target market. Once you meet the specified sales thresholds or establish sufficient economic presence (economic nexus) in a region, you must promptly register to collect and remit tax to remain compliant with local tax authorities.

3

Identify what products you can and cannot sell

Recognize that various regions may have restrictions on the types of products that can be sold. Complying with governmental regulations and understanding product limitations for each jurisdiction is vital to ensure compliance and avoid potential legal issues.

4

Tailor the shopping experience for local markets

Conduct thorough market research to understand consumer behavior, preferences, and competitive landscapes in each target market. Use this research to craft a shopping experience that aligns with local culture and preferences. This involves presenting information in the local language, pricing products in the local currency, and providing local payment options. Consider currency conversion solutions (FX) to streamline transactions for global customers.

5

Deliver personalized experiences regardless of where you are selling or where the customer is

Personalize the customer experience by creating tailored journeys that align with customers' unique buying habits and interests. Personalized experiences can often be a primary factor in driving repeat sales and long-term brand loyalty. Expand personalization to include it in every component of commerce operations, including personalized product recommendations, payment options, fulfillment options, and even personalized tax experiences that factor in all applicable tax rates, rules, and exemption certificates for each customer.

6

Ensure accurate tax calculations and meet invoicing compliance requirements

Implement accurate tax calculations in your sales process, including any tax exemptions. This will help prevent under- or overcharging taxes, which could lead to compliance issues. Ensure that your invoices meet the legal and regulatory requirements of each market you serve. This includes specific formatting, language, and content elements as mandated by local tax authorities.

7

Familiarize yourself with custom and import regulations

If your business involves international shipping or selling physical goods, you should be aware of customs and import regulations in the target countries. This includes understanding duties, tariffs, and import restrictions.

8

Be aware of consumer rights and returns policies

Different regions may have specific consumer protection laws and returns policies that your business must adhere to.

9

Ensure consistency across systems and selling channels

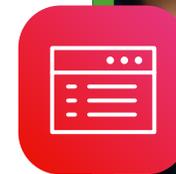
Guarantee uniformity in tax rates, calculations, and reporting across all sales channels and systems. This consistency streamlines compliance efforts and helps prevent discrepancies that could lead to compliance challenges.

10

Maintain detailed and secure records

Maintain comprehensive and well-organized records of all transactions, taxes, and compliance-related documentation, with a specific focus on meeting local tax reporting requirements. This not only helps in reducing the risk of audits but is also essential for meeting strict compliance guidelines and providing transparency to both local and national tax authorities. It's also critical to comply with data protection and privacy laws in different regions, like GDPR in the EU.

Stay ahead of the curve—compliance is an ever-evolving landscape. As regulations change over time, it's crucial to remain updated with the latest requirements in your target markets. Remember, your commitment to tax and regulatory compliance ensures not just successful expansion but also the trust and loyalty of your global customers. Automated compliance solutions can help your business stay ahead of regulatory shifts and reduce the risk of non-compliance, so you can focus on what truly matters—your global growth and success.



Seize global opportunities with Vertex and Adobe Commerce.

In today's dynamic global landscape, staying competitive requires not only seizing opportunities but also ensuring compliance. The right commerce and tax software can help. With fully integrated and flexible commerce solutions from Adobe Commerce and Vertex, businesses can expand seamlessly into new markets and help ensure tax compliance from day one.

Together we can help remove barriers to commerce expansion by:

- Streamlining global tax compliance for B2B and B2C businesses
- Accelerating the transaction process with more accurate tax rates (sales, use, VAT)
- Personalizing the customer experience with artificial intelligence (AI) capabilities
- Fulfilling customer expectations with local currency and payment preferences
- Adhering to invoice regulations and assisting with tax ID validation
- Improving efficiency and reducing the risk of non-compliance by helping to eliminate manual processes

Vertex and Adobe partner to deliver Vertex's fully integrated, more reliable, and scalable global payments compliance for the all-in-one Adobe Commerce solution.

Vertex for Adobe Commerce provides a unified platform that helps enable frictionless transactions, invoicing, and payments across borders as well as supplying a single source of truth for analytics and reporting. As a result, you can expand your online business into new markets and across borders without letting intricacies hinder business growth.

The strategic collaboration between Vertex and Adobe Commerce provides a dynamic suite of products to fuel commerce business growth and deliver reliable and more accurate tax determination and invoice compliance across thousands of jurisdictions around the world.

Scale and grow your commerce business with Adobe Commerce and Vertex.

Learn more about Adobe Commerce and Vertex



Integrating Vertex's tax solutions with Adobe Commerce enables merchants to expand their global business operations, while helping to ensure the accuracy of their payments and invoices."

Peter Boerhof
VAT Director, Vertex, Inc.

1. [Insider Intelligence, More US Consumers Are Becoming Cross Border Buyers](#)
2. [Forrester, Europe-5 Online Retail Sales Will Reach €553 Billion by 2027](#)