




How International Taxes Work for Ecommerce

International ecommerce orders can incur [taxes](#) that must be paid in the destination countries. Typically, these taxes are collected at the point of sale from the end customer and then remitted to the government by the business. Here are the two main ways tax payment is handled:

- 1. Paid during import clearance** (*applies to 212 countries*) – In the majority of markets, taxes are handled by the carrier or customs broker during the import clearance process. This means there is no need for merchants to have a local tax ID for direct-to-consumer shipments in these countries.
- 2. Paid through seller tax returns** (*applies to 8 markets*) – In a select few regions, taxes are paid through seller tax returns, which requires a [local tax ID](#). Merchants must collect the necessary taxes at checkout and then remit them to the government for these countries.

International Tax Compliance Options

Here are three ways brands can manage tax obligations in markets that require local registration:

 <h3>Do It Yourself</h3> <p>Registering for your own tax IDs is often the most time consuming approach as you must manage enrolling, reconciling, and reporting taxes yourself.</p> <p>COST: \$\$\$ TIME: 🕒🕒🕒</p>	 <h3>Outsource to a Third-Party</h3> <p>When hiring a third-party fiscal service provider to manage your tax filings, you'll still need to collect the proper data, send it to your provider, and reconcile it.</p> <p>COST: \$\$\$ TIME: 🕒🕒🕒</p>	 <h3>Use Passport Seller of Record</h3> <p>With a Seller of Record solution, Passport handles all aspects of your tax responsibilities, including tax collection, remittance, and compliance with local regulations.</p> <p>COST: \$\$\$ TIME: 🕒🕒🕒</p>
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Historically, companies have complied with international tax regulations by either registering for their own local tax IDs or working with a third-party fiscal service provider. However, both of these methods have often been much more costly and time-consuming than brands had anticipated. That's why we created [Passport Seller of Record](#)® (SOR) – an efficient solution to handle international tax responsibilities, saving businesses time and reducing costs.

Passport Seller of Record vs. Fiscal Service Provider

How much could I save by using Passport’s Seller of Record program instead of hiring a third-party fiscal service provider?

Work Required Without Passport:

Initial Registration (One-Time)

- Research fiscal solution providers **10 hrs**
- Request quotes and send required details **5 hrs**
- Review quotes, get internal approval, select provider, and sign contractual agreements **8 hrs**
- Collect and provide company details for registration **2 hrs**

TIME REQUIRED: 25 HOURS

EU Monthly IOSS Filings (Ongoing)

- Collect, review, validate, and upload data to provider portal **10 hrs**
- Respond to provider requests to reconcile data **2 hrs**
- Review and approve updated filing **2 hrs**
- Pay filing and submit proof of payment to provider **2 hrs**

Required Time
 Monthly: 16 hours
 Annual: 192 hours

UK Quarterly VAT Filings (Ongoing)

- Collect, review, validate, and upload data to provider portal **16 hrs**
- Respond to provider requests to reconcile data **4 hrs**
- Review and approve updated filing **2 hrs**
- Pay filing and submit proof of payment to provider **2 hrs**

Required Time
 Quarterly: 24 hours
 Annual: 96 hours

YEARLY TOTAL: 288 HOURS

Costs Without Passport:

Average Registration Cost: \$1,750+ Per Market
 Year 1 Costs: \$3,000 - \$5,000 Per Market
 Ongoing Annual Costs: \$2,500 - \$3,500 Per Market

With Passport Seller of Record:

[Passport Global](#) includes SOR in the platform fee, while for [Passport Shipping](#), the SOR fee is calculated as 5% of the tax collected.

Interested in Passport’s Seller of Record Program? Reach to us at vat@passportglobal.com.