

# SaaS Sales Tax Management Checklist

## Understand Your Tax Obligations

### Determine Nexus:

- Identify where you have sales tax nexus (physical and economic).
- Research nexus laws in each state/country where you sell your SaaS product.
- Use official tax authority websites and consider consulting a tax professional.

### Determine Tax Rates:

- Research sales tax rates in each jurisdiction where you have nexus.
- Consider product/service types and customer location for accurate rates.

### Identify Tax Exemptions:

- Investigate potential exemptions or reduced rates for specific digital products or services.
- Ensure you apply the correct tax rate based on product type and location.

## Choose a Sales Tax Management Method

### Evaluate Options:

- In-house: Requires significant time, expertise, and resources.
- Tax Compliance Tools: Automates some aspects but may not cover full compliance.
- Merchant of Record (MoR): Handles sales tax obligations & payments on your behalf (ideal for simplifying compliance and global expansion).

- Select the Method:** Choose the method that best aligns with your business needs, resources, and risk tolerance.

## Register for Sales Tax Permits (if applicable)

- Identify States: Determine the states where you need to collect sales tax based on your nexus and tax rates.
- Gather Required Information: Compile your business information, sales information, and banking information.
- Register for Permits: Apply for a sales tax permit in each relevant state through their tax authority website.
- Receive and Manage Permit Information: Obtain your sales tax ID number and understand your assigned filing frequency.

## Collect Sales Tax

### Implement a Sales Tax Calculation Tool:

- Integrate a tool in your checkout process to automatically calculate sales tax based on customer location.
- Ensure the tool can handle varying tax rules for different product categories and jurisdictions.

### Communicate Clearly:

- Clearly state on your website and checkout page whether sales tax is included in the displayed price or added during checkout.
- Itemize sales tax on invoices, including the rate, amount, and jurisdiction.

### Consider Tax Absorption (Optional):

- Explore absorbing sales tax into your pricing to display a uniform price globally.
- This can simplify pricing and improve customer experience, especially for international sales.

## File and Remit Sales Tax

### Determine Filing Schedules:

- Understand the filing schedule and due dates for each state/country where you have customers.
- Refer to official tax authority websites for accurate information.
- Set Reminders:** Mark all filing deadlines on your calendar or use reminder tools to avoid late filings.

### Prepare and File Returns:

- Gather necessary information like sales data, tax collected, and eligible deductions.
- File sales tax returns accurately and on time for each jurisdiction.
- Remember to file "zero returns" even if you had no sales during the tax period.

### Remit Taxes:

- Pay the collected sales tax to the appropriate tax authorities by due date.
- Use the designated payment method for each jurisdiction (online, check, bank transfer).

## Stay Informed and Seek Assistance

- Stay Updated:** Keep abreast of any changes in sales tax laws and regulations in your relevant jurisdictions.
- Seek Professional Advice:** Consult with a tax professional for complex tax situations or if you need guidance.

**Tip:** Partnering with an MoR like PayPro Global can significantly simplify sales tax management, especially for businesses operating in multiple jurisdictions or looking to expand globally.