

Video Game Taxes Checklist

Use this step-by-step checklist to navigate the complexities of sales tax compliance when selling video games, DLC, and other digital content.

Phase 1: Strategy and Assessment

- ☐ Assess your team's internal expertise in finance and global tax regulations.
- ☐ Analyze your target markets, projected sales volume, and number of transactions.
- ☐ Compare the costs, risks, and time commitment of managing taxes in-house versus using a Merchant of Record.
- ☐ Select the tax management strategy that best fits your business size, budget, and growth plans.

Phase 2: Determining Obligations and Registration

- ☐ Implement a system to track sales revenue and transaction counts for every U.S. state and country.
- ☐ Identify every jurisdiction where you have crossed the economic nexus threshold.
- ☐ Research the specific taxability rules and current rates for digital goods in each of your nexus locations.
- ☐ Gather all necessary legal and financial documents for registration (e.g., FEIN, business address).
- ☐ Register for a sales tax permit with the Department of Revenue in each required U.S. state.
- ☐ Register for the EU's VAT One-Stop-Shop (OSS) scheme if selling to customers in multiple EU countries.

Phase 3: System Setup for Tax Collection

- ☐ Integrate real-time tax calculation engine into your game's checkout.
- ☐ Configure your system to verify customer location using at least two non-conflicting data points (e.g., IP address and billing address).
- ☐ Ensure your checkout page and invoices clearly display the tax amount.
- ☐ Run tests for various locations to confirm accurate tax calculations.

Phase 4: Filing and Remitting Taxes

- ☐ Create compliance calendar with all tax filing & deadlines for each jurisdiction.
- ☐ Generate detailed sales reports showing the total tax collected per jurisdiction for each filing period.
- ☐ File the tax return form for each authority where you are registered.
- ☐ Submit "zero returns" for jurisdictions where you had no sales to avoid non-filing penalties.
- ☐ Remit the exact amount of tax collected to each respective authority by the official due date.

Phase 5: Ongoing Compliance and Maintenance

- ☐ Review your sales data quarterly to monitor for new nexus obligations in additional states or countries.
- ☐ Stay informed about changes in digital tax laws, rates, and regulations.
- ☐ Maintain organized and accessible records of all sales data, tax calculations, and filed returns for potential audits.