Tax

An Overview of Tax

Note about tax and e-commerce

As an online vendor it is important to operate within the tax laws that would apply were you using any sales medium other than e-commerce. As such it is vitally important that customers pay, and you the vendor collect, all the relevant taxes due on any transaction conducted on your EROL store.

EROL's powerful tax options accommodate any number of national and international tax peculiarities, such as 'Use Tax', VAT, discounted tax groups, tax free products and tax exemption.

Setting a Local Tax Rate

Applying a local tax to your store

The Local Taxes tab allows you to set the local tax rate(s) (in %) relevant to where your store is hosted or located.

If your store is operating outside of the US or Canada, select your country from the 'Country' dropdown menu on the Local Taxes tab and insert your local sales tax rate (this is your country's sales tax rate).

Most countries will only ever have one rate of sales tax, however if you are in the United States you will be required to insert the tax rates for your state, your county and your city. If you are in Canada you will be required to add a tax rate for your Province or Territory.

The dropdown menus for State/Province, County and City only become accessible once you have selected your country from the 'Country' dropdown menu and further taxes apply to political portions of that country.

The 'State/Province' dropdown menu will automatically include your country's relevant states or provinces and then, if applicable, your state's counties.

The Local Taxes tab also allows you to globally set whether all prices (Retail price and/or Alt price) are displayed inclusive of tax.

Applying a local tax to your store if you are in the US

If you are in the United States you will be required to insert the sales tax rates for your state (or your county if applicable) and your city.

The dropdown menus for State/Province, County and City only become accessible once you have selected United States from the 'Country' dropdown menu.

The 'State/Province' dropdown menu will automatically include your country's relevant states or province. Once a State has been chosen, the counties in your state will become accessible in the 'Counties' dropdown menu.

You are required to insert the correct sales tax rate for each breakdown.

If you only pay county tax and have no applicable state tax then set your state tax to 0%.

Applying a local tax to your store if you are in Canada
If you are in Canada you will be required to insert the tax rates for your Country as well as for your Province or Territory.

The dropdown menu for State/Province will only become accessible once you have selected Canada from the 'Country' dropdown menu.

The 'State/Province' dropdown menu will automatically include Canada's Provinces and Territories.

You are required to insert the correct tax rate for Country and State/Province.

Applying tax to shipment costs
If delivery charges for an order form part of the payment the customer has made for that product (which is normally the case), it may be necessary for the vendor to apply tax to that shipment or delivery service.

To apply tax to your shipping and handling costs,
1. Select Tax in the Basket Tree View
2. Ensure the 'Local Taxes' tab is active
3. In the Shipment Tax panel, check 'Apply Tax to Shipment Charges.

Tax on shipment will always be either your local rate of tax or VAT and if the product being shipped is zero-rated or tax exempt in EROL, then the shipping of that item will be zero-rated or tax exempt too.

Remember that customers ordering from other countries (or states, if you are in the US) may not have to pay tax on shipment at all. EROL will automatically calculate this based on the customer's location.

How EROL calculates shipment tax
The rate of tax for shipment is not different from the local tax rate(s) set in the Local Taxes tab. When 'Apply Tax to Shipment Charges' is cheked, EROL will automatically apply the relevant local tax to the shipment charges.

Because the shipment tax is directly related to the local tax set-up, any products that are tax exempt or zero-rated will also have those exceptions applied to the shipment taxes for those goods.

Individual products can be set at 'tax exempt' or 'zero rated' by selecting the relevant tax group from the Tax Group dropdown on the 'Tax' sub-tab on the Item Pricing tab.

Including local tax in the price of products on display
By default EROL will not display the local tax rate on any of your products in the store (This can however be changed on a global or item-by-item basis). Instead the tax will be added at the order form once the customer has selected his or her own country.

You can however display your local tax rate as inclusive in all the prices, if necessary.

Displaying prices with tax on a global basis
Tax can be included globally across the store on all prices (Retail or Alt or both) by checking 'Display Retail Prices as Tax Incl.' on the Local Taxes tab.

The global setting can be overwritten on a product-by-product basis, using the 'Tax' sub-tab on the Item Pricing tab for any individual product item.

Remember, the Alt price is for display purposes only, and has no effect on order form calculations whatsoever.

Displaying prices with tax on a product-by-product basis
On the Item Pricing tab's 'Tax' sub-tab you can apply the local tax rate to be included in the price that gets displayed on the store page. Check 'Retail Price' to include the tax in the retail price and/or check 'Alt Price' to include the tax in the Alt price (if applicable).

Remember, the Alt price is for display purposes only, and has no effect on order form calculations.

Showing prices with tax and without tax on each item
To show both tax inclusive and tax exclusive prices for each item, make sure that your retail price is your tax inclusive price and your alt price is your tax exclusive price (or vice versa), then select, either globally on the Local Taxes tab or on an item by item basis, the relevant check boxes available on the General sub-tab on the Item Pricing tab for any product in the store.

How EROL calculates local taxes
EROL calculates local tax based on the destination of the products to be shipped in relation to the local tax rate you have applied. If the customer is located outside of your local tax region, EROL will automatically zero-rate the tax(es) on that product.

How EROL calculates United States local taxes
EROL calculates US local tax based on the state and/or county and/or city that the purchase is being shipped to in relation to the local tax rate you have applied for those areas.

If the customer is located outside of your local tax region, EROL will automatically zero rate the tax on the purchase unless the shipment destination falls within an area in which your company has nexus.

If the customer is buying from out of state and your company has no nexus in that area, EROL allows the customer to pay the sales tax of your local area to offset against any Use Tax they may need to declare. This option appears in the order form after the customer has selected the shipping destination.

Setting Global Tax Rate(s)

Setting a tax rate for all countries other than your own
In almost all cases, if a customer is located in another country they will not be required to pay any tax. As such EROL sets as default the rate of tax for all other countries at 0%.

This is controlled from the '*Apply a Default Tax Rate for the World*' field.

Should your circumstances require it, this can be set at any percentage rate.

If there are any exceptions (i.e. European Union member states do not exempt other member state nationals from paying that country's sales tax) you can set these in the exceptional tax rate table below.

Setting a tax rate for individual countries other than your own
You may be required to apply different tax rates for countries other than your own. This occurs in European countries, for example, where all European Union member state nationals have to pay the sales tax for any other European country they are purchasing from.

EROL allows you to select which countries will be required to pay your local tax rates.

From the '*Country*' dropdown menu, select the exceptional country, then below '*Rate %*' set the rate that customers from that country will be required to pay. This should normally be the same rate as your local sales tax. Repeat this for all other countries that may be required to pay your local tax(es).

How EROL calculates global taxes
EROL calculates global taxes based on the destination of the product to be shipped in relation to the tax rate you have applied for that particular country. If the customer is located in a country not included on the exceptions list, they will simply have to pay the default tax rate you have set for the world (i.e. 0%). If their country is one of the exceptions, they will pay tax at the rate set for that particular country on the Global Taxes tab.

Tax Groups

What are Tax Groups
In many countries, various products, or groups of products may be taxed at different rates from your local sales tax rate. These may include books, electronics, pharmaceuticals etc.

EROL provides you with a matrix to set the tax rates for any group of products that may differ from standard sales tax rates.

Creating different tax groups
The tax group matrix on the Tax Groups tab allows you to set an infinite number of different tax groups along with their relevant tax rates.

In the 'Tax Group' column of the matrix enter the name of the tax group (eg. Books, Electronics, Pharmaceuticals etc) and enter it's tax rate under '*Country %*'.

Creating different tax groups if you are in the United States
If you are in the United States you also have the option of setting alternate tax rates for each tax group (if applicable) according to the State, County and/or City taxes relevant to you.

The 'State%' 'County%' and 'City%' columns in the matrix only become accessible if you have selected United States from the dropdown menu on the Local Taxes tab.

Creating different tax groups if you are in Canada

If you are in Canada you also have the option of setting alternate tax rates for each tax group (if applicable) according to the State/Province taxes relevant to you.

The 'State%' column in the matrix only becomes accessible if you have selected Canada from the dropdown menu on the Local Taxes tab.

Applying a tax group to an individual product

Once tax groups have been created in the Tax Groups tab, they may be applied on a product-by-product basis within your store.

On the Item Pricing tab for any product, there are four sub-tabs. On the General sub-tab you can select the Tax Group for that particular product from the 'Tax group' dropdown menu. All the tax groups you have created in the tax group matrix on the Tax Group page will be listed in this 'Tax Group' dropdown menu.

Zero Rated products

Any product can be zero rated. This is based on the lower rate tax currently employed in the UK.

Zero-rated means that tax will not be applied to that product at all.

Zero rated products may include books, hospital supplies or perhaps educational materials.

Zero rating a product is applied on a product-by-product basis.

On the Item Pricing tab for any product, there are four sub-tabs. On the General sub-tab select 'Zero Rated' from the 'Tax group' dropdown menu. This will automatically exempt that particular item from any sales tax.

Nexus

What is Nexus

Nexus refers to any 'physical presence' your company may have in another state and/or country. If you are subject to the revenue laws of that state and/or country as a result of your 'presence' there, then EROL allows you to select the location(s) where your company has nexus and apply the relevant tax rate(s).

The Nexus tab provides you with a matrix to set the tax rates for any number of locations your company may have a nexus in.

To determine what constitutes Nexus in your country/state consult a tax expert or accountant.

Creating different tax groups

The Nexus matrix on the Nexus tab allows you to set an infinite number of different locations along with the relevant tax rates.

In the 'Country' dropdown, select the country(s) in which you have Nexus and then enter the relevant tax rates in the '*Country %*' field.

Creating different Nexus if you are in the United States

If you are in the United States you have the option of setting the tax rates for the State, County and/or City your company may have nexus in.

The 'State%' 'County%' and 'City%' columns in the matrix only become accessible if you have selected United States from the country dropdown.

Creating different Nexus if you are in Canada

If you are in Canada you have the option of setting the tax rates for the State/Province your company may have nexus in.

The 'State%' column in the matrix only becomes accessible if you have selected Canada from the country dropdown.