



Solving 5 Sales Tax Challenges for Franchises

Franchise-based sales account for 40% of retail dollars spent in the United States today, according to the International Franchise Association. In an era of expanding franchise opportunities, both franchisors and franchisees face unique compliance issues, especially in the area of sales tax.

The sales tax landscape is changing all the time. Revenue shortfalls have caused state and local governments to seek higher sales tax rates while taxing more products and services. It's becoming harder than ever for businesses to keep up.

Even if you've already got a handle on sales tax today, growth can change your compliance picture tomorrow. In this guide, we'll help you start to solve five of the most common sales tax challenges faced by franchise businesses of all sizes.

1

Challenge one: exemption certificate management

For many franchisors, selling products to franchisees for the purpose of resale is a fundamental part of doing business. In the United States, sales tax only applies to an item's final sale, not to resellers. In order to ensure that exempted sales are legitimate, state governments require sellers to collect and maintain exemption certificates from resellers.

Maintaining these certificates can be a difficult process. Even if a franchisor found it easy to keep track of certificates for just a few locations, continued growth can make manual filing become a serious pain point. Businesses that use manual filing can face expired, outdated or lost certificates, triggering potential sales tax audit penalties.

Today, exemption certificate management software like **Avalara CertCapture** presents an affordable, scalable solution to the franchise reseller exemption certificate problem. By filing exemption certificates in the cloud, franchise businesses can protect themselves against audit risk and get rid of manual filing chores.

2

Challenge two: ecommerce

Today, retail franchise businesses may sell their products via ecommerce sites as well as physical locations. Because there are over 12,000 sales tax jurisdictions in the United States – and because those jurisdictions don't follow ZIP code boundaries – ecommerce makes sales tax calculation much more complex.

Fast, accurate sales tax calculations are easier than ever with **Avalara's AvaTax**. Geolocation ensures the right rate every time, while cloud-based calculation makes sure you're kept up to date with the latest rate changes.

3

Challenge three: global taxation

Today's franchisors are increasingly pursuing opportunities beyond U.S. borders. But one of the first administrative barriers to selling abroad, value-added tax (VAT), can put a grinding halt to growth. Mistakes can lead to goods stuck in customs – or even heavy fines and losses.

VAT is now levied in over 120 countries around the world. Unlike sales tax in the United States, it is levied not just on the final consumer, but across the entire production chain. This means companies must charge it to each other, make remittances and try reclaim VAT back. In a single-country transaction, this can be complex. But as soon as you start cross borders – especially those with non-harmonized VAT systems, language barriers and cash-strapped foreign taxmen – the compliance burden can deflate the most ambitious companies.



Going international doesn't have to mean falling out of compliance. Avalara's VAT software and services ensure that value-added tax is taken care of, letting you focus fully on global success.



Challenge 4: filing requirements

No one likes to pay taxes, and filing sales tax returns is never a revenue-generating activity. Being required to comply with difficult filing requirements and complicated sales tax return paperwork can feel like insult added to injury. Mistakes can be costly, and time spent by finance and accounting resources on this paperwork is time not being used on core business functions.

Outsourcing filing with **Avalara Returns** makes the returns process automated and easy. By taking back your franchise business's time, you can focus more on revenue generation and growth – not sales tax paperwork.



Challenge 5: focused growth

It's hard to focus on growing a franchise business when tax requirements can seem onerous and difficult to interpret. Tax forms aren't the core of franchise businesses—doing taxes isn't what most companies do best. Growing bigger means more headaches: multi-state franchisors with company-owned locations, as well as those with e-commerce platforms, may develop complicated nexus situations that trigger state reporting requirements.



Get Started.

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or call 

877-811-0923 today.

About Avalara

A privately held company, Avalara was founded by a team of tax and software industry veterans to fulfill a vision of delivering an affordable, scalable sales tax solution. Thus making what was not economically feasible in the past for mid-sized business not only affordable, but more accurate as well – all with the latest and most innovative technology available. From Bainbridge Island, close to Seattle, Avalara's knowledgeable staff works tirelessly to help customers put the hassles of sales tax compliance out of mind. Avalara's mission is to transform the tax process for customers by creating cost-effective state-of-the-art solutions. The company does so through integrated on-demand, Web-based software services that provide transparent transactions, accurate tax compliance, painless administration and effortless reporting.