



Ideal Shopping Direct automates its sales tax to enter the US market

Avalara helps UK shopping channel target 129 million viewers in US Arts & Crafts market

Arts and Crafts is huge business in the United States with approximately 129 million US viewers participating in the last year¹. Despite this, there is no US home shopping television channel dedicated to meeting the demands of this enormous market.

Ideal Shopping Direct, the successful UK-based home shopping network, recognised the opportunities of this booming market and established 'Craft Retail International Ltd' launching the US version of Create and Craft, its popular UK Arts and Crafts shopping channel.

However, doing business in the United States is a completely different proposition from the United Kingdom and the company had to overcome new challenges as it expanded its presence into the country.

"Even though VAT can be incredibly complicated, Sales Tax seemed ten times worse. We hoped it would be one static rate but it soon became clear that we were dealing with an entirely new, complex tax system." – Justin Hattee, Group Financial Controller, Ideal Shopping Direct.

The Nexus Question

Businesses in the UK are used to dealing with transactional taxes in the form of VAT, but US sales tax is a different prospect entirely.

ideal SHOPPING
DIRECT LTD
www.idealshoppingdirect.co.uk

Create **AND CRAFT**.COM
www.createandcraft.com

In the US, there are:

- Over 12,000 different tax jurisdictions – going down to street level
- Tax holidays for specific items throughout the year
- Different taxability classification of the same items in different states
- 100,000+ rules and boundary changes occur every year

International businesses selling in the US are not required to collect sales tax in a state unless they have 'nexus.' Nexus is defined as a connection or business presence in a state or jurisdiction. If you have nexus in a state, you need to collect and remit sales tax according to their regulations.

For Ideal Shopping Direct, determining where they would have nexus, and therefore be liable for sales tax, was an extremely complex proposition and a major obstacle to overcome in its expansion to the US.

"We knew about local sales tax from personal experience of going to the US on holiday, but we didn't know the reality of the complexities involved," said Justin.

"We wanted to get it right first time so we could hit the ground running and maximise the market opportunity we had identified" Justin explained.

¹ Mintel - Arts and Crafts Consumer - US - January 2015

Consultancy and Technology

Following internal research and a consultation process with KPMG, Ideal Shopping Direct identified Avalara as the company best placed to help them identify and manage their sales tax obligations via its AvaTax™ solution.

Avalara's professional services team completed a detailed nexus study with Ideal Shopping Direct, helping to identify their sales tax liability in 12 states, due to some form of physical presence such as its head office, broadcast locations, home workers, or attendance at industry shows and conferences.

AvaTax™ integrates into pre-existing accounting systems, ERP and CRM providers, and ecommerce software, delivering real-time sales tax decisions automatically in the cloud. Not only this, but it provides an automated returns filing process, which is vitally important for Ideal Shopping Direct.

Speed was also a critical factor. The whole process took just a few months from initial contact with Avalara to the systems being live ahead of their channel's launch on the 29th December 2014.

Post Launch

"We can now perform reconciliation at the push of a button, without a small team of experts being required to focus their constant attention on Sales Tax," explains Justin.

Justin continued, "We put the headline price on-screen for the viewers. Once they complete the order, online or by phone, AvaTax™ instantly calculates the applicable sales tax rates based on their address. Speed of response is critical in this respect and has allowed us to offer our best service to this new market."

Create and Craft had a successful launch in December 2014, broadcasting to 35 million homes in the US, with Avalara AvaTax™ instantly helping the company process transactions quickly and efficiently with the correct rate of sales tax applied.

"From a project integration perspective, our teams are very happy with how the implementation went and our IT director is amazed with the simplicity of the link between the Avalara software and the Sage systems we use for our orders."

Automation the returns filing process was essential for Ideal Shopping to ensure they were fully compliant from the outset and minimise manual intervention. It has contributed to a successful launch for the Create and Craft channel in the US and allowed the company to successfully navigate the complex tax landscape of what will surely be a fruitful and successful market for them.

"Avalara AvaTax™ allowed us to launch successfully and legally in the US with complete confidence in our tax compliance. We just needed the initial knowledge in terms of getting things set up and then it runs itself. That's the beauty of the solution" concluded Justin.

Sacha Wilson, Sales and Marketing Director at Avalara, added: "Businesses often encounter new complexities when they enter new markets, and cross-border trade into the US is no exception. Ideal Shopping identified the opportunity to grow its business in the United States and we're pleased to help facilitate its expansion, allowing the new Create and Craft channel to offer the best customer experience while remaining compliant with different rates of sales tax, ultimately leading to a very successful launch."

Avalara supported the Ideal Shopping Direct launch with:

- Nexus study
- Sales tax registrations in nexus states
- Avalara AvaTax™
- Avalara Returns™ - Automated returns filing

* This case study reflects the results and experience of Ideal Shopping Direct. Individual results may vary.

About Avalara

Avalara helps businesses of all sizes achieve compliance with sales tax, VAT, GST, excise tax and other transactional tax requirements by delivering comprehensive, automated, cloud-based solutions that are fast, accurate, and easy to use. Avalara's end-to-end suite of solutions is designed to effectively manage complicated and burdensome tax compliance obligations imposed by state, local, and other taxing authorities in the United States and internationally.

Avalara offers hundreds of pre-built connectors into leading accounting, ERP, eCommerce and other business applications. The company processes millions of tax transactions for customers and free users every day, files hundreds of thousands of transactional tax returns per year, and manages millions of exemption certificates and other compliance related documents.



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