ZAZEN TAX

Selling Software Abroad

About forty five minutes with your customer list open. The first foreign invoice is where SaaS VAT goes wrong: the rules differ by who the customer is and where they sit, and the treatment is decided per sale, not per company.

Company .... **Markets served** .... **Reviewed** ....

Work through your actual segments: UK, business customers abroad, consumers in the EU, consumers elsewhere. Each has one right treatment, and the Digital Services VAT Checker walks any single sale through the same logic.

1. Place of supply, decided once — about 10 minutes

- [ ] **Classify every customer: business or consumer**
  The whole regime hangs on this. Business-to-business supplies of software are taxed where the customer belongs; consumer sales of digital services are taxed where the consumer lives.
- [ ] **Confirm what you sell is a digital service**
  Software delivered and consumed electronically with minimal human involvement counts. Consultancy and custom builds follow different rules even when invoiced by the same company.
- [ ] **Write the treatment per segment into the finance manual**
  One page: segment, VAT treatment, invoice wording, evidence kept. New hires bill wrongly without it.

2. Business customers abroad — about 10 minutes

- [ ] **Validate the customer's VAT or tax number, and keep a dated copy**
  EU numbers check against VIES; keep the confirmation with the customer file. A number that fails validation means treating the sale as a consumer sale.
- [ ] **Invoice with no UK VAT and the reverse charge wording**
  The customer accounts for the tax in their country. State it on the face of the invoice; the words are the evidence.
- [ ] **Keep proof the customer belongs abroad**
  Contract address, VAT number and payment origin, consistent with each other. UK business customers stay standard-rated at 20 per cent.

3. EU consumers and OSS — about 10 minutes

- [ ] **Register once for the non-Union OSS scheme**
  One registration in one member state covers consumer sales across the EU. There is no threshold for a UK business: the first consumer sale triggers the obligation.
- [ ] **Charge each consumer their own country's VAT rate**
  Twenty-seven countries, different rates, updated when they change. The billing system has to hold a rate table, not one number.
- [ ] **Keep two non-contradictory pieces of location evidence per sale**
  Billing address, bank country, IP address: any two that agree. Ten years of records is the OSS requirement; the billing platform usually holds them.
- [ ] **File the OSS return quarterly, in euros**
  One return, one payment, distributed to each country. Miss two in a row and the scheme can exclude you, which means registering country by country.

THE US IS NOT ONE MARKET

> There is no American VAT. Each state runs its own sales tax, most assert nexus after the Wayfair case at around $100,000 of sales or 200 transactions in the state, and a good number of them tax SaaS. Monitor state by state before the thresholds pass, not after.

4. The rest of the world about 10 minutes

- [ ] **Track US state thresholds from the first dollar**
  Economic nexus accrues quietly: a spreadsheet of sales by state, reviewed quarterly, is the minimum. SaaS is taxable in states including New York, Texas and Pennsylvania.
- [ ] **Check registration duties in other consumer markets**
  Norway, Switzerland, Australia and others run their own digital services registrations with their own thresholds. Register where you actually sell, not everywhere.
- [ ] **Decide who handles it: you, or a merchant of record**
  A merchant of record becomes the seller and carries the global VAT problem for a percentage. Worth pricing once consumer volume is real.

5. The invoice and the books about 5 minutes

- [ ] **Book revenue by segment with its VAT treatment**
  Outside the scope, reverse charge, OSS and UK standard-rated must be separable in the ledger, or the VAT return becomes archaeology.
- [ ] **Convert currency at a consistent, documented rate**
  HMRC accepts commercial rates applied consistently. Pick one source and stay with it.

Zazen Tax

Accountants for software companies. zazentax.com/contact

General information, not advice for your circumstances. Rates and thresholds are 2026/27 for the UK and change from time to time. US state tax items are orientation, not advice; thresholds differ by state and change.