



Your International Digital Strategy

Managing international currency and pricing

So when selling internationally there are a few things that can hit your bottom line when it comes to transactions, things that will help you develop country or regional pricing strategies.

- 1) Currency and exchange rate, also processing fees for the conversion
- 2) Local taxes in the UK and Europe – VAT, but in the US this is sales tax
- 3) Import duty, based on what you are shipping, what value and where you are shipping to
- 4) Logistics, depending on where you hold stock, different tax and duty rules apply

Most people opt for a dynamic exchange rate pricing strategy. What this means is that you set your price in £ and then your website looks at the exchange rate of the moment and converts it. This strategy works well as you know your margin will stay the same barring duty or tax implications. You may want to refine this strategy slightly by adding a rule based system to the exchange rate by adding or taking away a percentage at product or category level to increase conversion rate. For example, if your product category is in higher demand or competition is priced higher in a different market you could increase by 10% across the range. The other way to manage pricing strategy is to have fixed price lists, so you set a GBP price a Dollar price and a Euro price. This may give best conversion rates as you have looked at the specific price point, however it can be risky as you could either be more or less profitable depending on the exchange rate. On top of this it can be a lot more work to manage depending on your SKU count.

Let's look at points 2, 3 & 4 together as they directly impact each other. As things stand now pre- Brexit there are certain things in place that are in your favour and which make selling cross border easy. If you are selling into an EU country there are thresholds which are yearly turnover totals. If you are below these thresholds you do not need to register for VAT in those countries however, as soon as your B2C yearly revenue exceeds those totals, you will need to register for local VAT. [These thresholds vary for each country and are as much as 35,000 Euros in France](#). However, the exception to this is if you start holding stock in a particular country you will need to register for that country's VAT. This includes Amazon's Pan European FBA which moves stock between EU countries. The second point to be aware of is that, as we are currently part of the customs Union, there is no import duty to consider.

The USA provides a good opportunity for growth as well as being culturally fairly similar. The good news is if you keep your pricing in line with your UK pricing then you can be more profitable on each sale. I do suggest to most companies, however, that this is used to cover increased shipping costs as this helps conversion rate.

Three things that fall in your favour if you are shipping from the UK to the USA:

- 1) If you are shipping direct from the UK to consumers in the USA items are likely to be under the \$800 [de Minimis import value set by the USA Customs for duty](#) (zero import duty).
- 2) As goods are leaving the EU they are usually zero rated on VAT so nothing to pay to HMRC.
- 3) If you chose to ship from the UK to the USA and don't hold stock in the USA you do not have a business presence called a sales Nexus in America, so are not liable for state sales Tax.

What if you hold stock in the USA? This may be part of a more advanced strategy helping, as it does, to grow volume by opening more sales channels. Once you hold stock in America, for example in Amazon FBA or in a warehouse in the country, the product still belongs to you but as it sits within fulfilment centres you, therefore, have an inventory Nexus and as a result you will need to pay sales tax. Sales tax is a big consideration as it varies between states. There is a great article here [outlining how this works](#). It can get quite complicated, however there are some good tools, like TaxJar, that can help automate the process.

Import duty and local taxes are something you need to be mindful of as the rules are always changing, especially in a landscape littered with trade deals. If you have any questions please ask the Department for International Trade or an

international tax specialist as they will be able to help advise on the current situation. Some good examples of this are the recent changes in Canada regarding [CETA](#) and the change to [Australian GST](#).

If this has got your head spinning there is always technology to save us as third party plugins to your website can have live exchange rate, duty rates and tax information and can do the calculations at the checkout. Some offer the full remit of localisation calculations, others focus on specifics like efficient currency and payment options. So it's a case of doing your research and finding the right solution for your business. To help get you started a list of potential services can be found here:

Global-e: www.global-e.com

Pitney Bowes: www.pitneybowes.com/uk/global-ecommerce/cross-border

go.borderlinx: www.go.borderlinx.com

Klarna: www.klarna.com/uk/

World First: www.worldfirst.com/uk/online-sellers/

Paypal: www.paypal.com/us/webapps/mpp/compare-business-products

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Contact DIT East Midlands

If you have any queries relating to international trade, why not get in touch. You can email us at: info@tradeEM.co.uk or call 0345 052 4001.

The demand is out there. You should be too.
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