# VAT on Shipping

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VAT is applied in different ways on shipping, as in some locations it is regards as a services VAT which has to be applied regardless of the VAT on products. So – depending in the merchant location, VAT may be applied to shipping prices, even when no VAT is applied to product prices during export sales.

**Service Model**

A fixed service VAT applies to shipping charges.

**Normal product VAT model**

One of the product VAT's is also applied to shipping

**European Mix Calculations**

The average VAT applied to all products purchased is calculated and then applied to shipping charges.

<pexample< p>(Please calculate and edit appropriately)

Customer purchases Product 1 for $100 and Product 2 for $200

Product 1 has 7% VAT applying to it.

Product 2 has 19% VAT applying to it.

Now you have to calculate how much VAT is applied to Product 1 and how much Tax is applied to Product 2.

Then you must calculate the average VAT percentage applied to the Total of all products purchased – i.e. on $300 in the example above. This average percentage must then be applied to the shipping charges.

**Please note:** This mix calculation is usually applied in Europe, and the tax is therefore usually INCLUDED in the shipping charges listed. The result is therefore used to establish how high the VAT component of the price is.

For example if a product costs $100 incl. VAT, than the VAT component would be somewhere around the $9.1 mark (please calculate and replace with correct value).

It is NOT $10, as that would imply that the tax is not included in the $100.

VAT on Shipping charges when exporting products

Depending on where you are shipping the goods, the VAT on shipping may or may not be applied.

Where the European mix calculation is used, the same tax is applied to shipping regardless of where the product is shipped.

In some other countries or states this is more difficult. Thus it may be possible when exporting that no VAT has to be paid on the products, but it does have to charged on shipping, as it is a service provided locally.

So a merchant selling from Florida in the US to a customer in Australia will not charge VAT on the

products, but may have to charge tax on the shipping component of the total price.