




Marketplace Payments & Taxes

Handling Marketplace Payments and Tax Requirements
with a Multi-Vendor Marketplace Platform



Marketplace payments requirements are some of the most complicated and most overlooked aspects of managing a marketplace. Tax requirements are constantly shifting and differ from country to country (and even state to state). The rules are often unclear to anyone without years of payments experience.

But a marketplace does not exist without a payments function. In fact, vetting vendors, calculating commissions, accepting payments, and performing payouts to vendors are some of the most important aspects of running a successful marketplace.

Why Marketplace Payments are Difficult

As the merchant-of-record (MOR), a marketplace has to accept payments for not just one vendor like a traditional ecommerce store, they have to accept payments on behalf of multiple vendors in a single transaction. But, they are held to the same checkout standards as any other ecommerce store with offerings like buy-now-pay-later (BNPL) and partial payments. In B2B marketplaces, those checkout options become even more nuanced with individualized customer pricing and credit limits and customers paying with purchase orders and ACH over credit card.

And, don't forget, a marketplace both accepts payments from customers and sends payouts to their vendors. The marketplace operator has to manage the different commission rates and payout terms of each seller based on factors like size, volume, and dropship relationship. It's not a simple one size fits all. The marketplace is responsible for performing know-you-vendor (KYV) checks on sellers, affiliates, influencers, brands, wholesalers, and distributors that join their platform and keeping an audit record of all payout activity for compliance checks. And just like consumers, sellers have different payout preferences that marketplace operators have to manage.

Marketplace Payment Service Providers

The additional due diligence required of payment service providers (PSPs) to not only analyze the marketplace as a business but also each of their sub merchants and sellers has caused some PSPs to bow out from the marketplace payments challenge.

But, there are some marketplace payment providers that are still in the fight!

Stripe Connect

Designed for the “platform economy”, developer friendly and marketplace operator friendly

Pros

- 1. Beautiful UX with informative insights, dashboards and reports
- 2. Relatively easy to integrate with an approachable technology stack
- 3. They take care of the KYC, OFAC compliance, etc.

Cons

- 1. Fees are on the higher side for full service
- 2. International coverage is solid but not extensive
- 3. Does not support “partial shipment payments capture”

Adyen Marketplace Platform

For organizations that need a bit more in-country acquiring coverage, minimizing cross-border fees, etc.

Pros

- 1. Informative insights, dashboards and reports
- 2. Take care of KYC, OFAC compliance, etc.
- 3. International coverage is great with in country acquiring/banking
- 4. Supports partial shipment payments capture (with approval)

Cons

- 1. Requires approval for marketplace platform and partial shipments
- 2. Not near as easy to integrate
- 3. Fees are a middle of the road

Strategic Bank Relationship (w/ FBO accounts)

For organizations that want to dive right into the deep end of payments

Pros

1. Ultimate flexibility for the most sophisticated marketplaces
2. Wholesale money movement pricing
3. For the benefit of (FBO) accounts

Cons

1. Requires marketplace to become a Third-Party Payment Processor (TP3)
2. Need to be a payments expert, or retain one - this is not straightforward
3. Compliance overhead is quite significant
4. Lots of time - banks are selective with TP3 status





Marketplace Tax Requirements

Declared by Marketplace Facilitator laws, marketplace operators are required to collect and remit sales tax on behalf of their sellers. These laws were put in place because of marketplace giants like Amazon, but have to be followed by even the smallest of marketplaces. This means marketplace operators have to manage a wide array individual tax withholding requirements that vary from state to state and country to country.

There are services that help marketplaces manage their tax requirements:

Avalara offers tax compliance for marketplaces of all sizes.

TaxJar has an API specifically for marketplace operators.

Leveraging a Multi-Vendor Marketplace Platform

While adding these tools to help manage marketplace payments, compliance, and taxes is strongly recommended, marketplace operators need to keep in mind the cost to maintain each marketplace app. By leveraging a multi-vendor marketplace platform like Nautical, marketplaces can add as many supplementary apps as they'd like to support their business without having to manage and maintain the connections. Nautical acts as a payments orchestration and marketplace workflow engine to ensure each tool is supporting the marketplace goals.

Conclusion

At Nautical, we know that the payments step is one of the hardest things to build which is why Nautical's multi-vendor marketplace platform was built with payments in mind.

The Nautical team has an incredible amount of fintech and payments experience coming from Visa, Apple, and fintech startups. We have created an elegant marketplace solution that understands the value of the payments function and embraces the challenge.

About Nautical

Nautical is a multi-vendor platform helping retailers, brands, and B2B businesses launch and scale marketplaces. We have marketplace building experience that spans industries and company sizes from solo founders to enterprises. Nautical is democratizing access to marketplace technology because we believe marketplaces should not have to be tech companies to provide incredible customer experiences.

If you'd like to speak with a member of the Nautical team, feel free to reach out!

[Reach out](#)



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