

Amazon Accounting 101



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A2X was conceived by a team of Amazon sellers that were frustrated with the challenges of accounting accurately for their stores.

Amazon accounting is one of the most challenging aspects of selling on the platform.

From settlement statements lacking detail and spanning months, to a smorgasbord of fees and transactions that aren't the easiest to interpret - without the right tools, it's easy to feel like a salmon swimming upstream.

So that's what this resource is here to help you avoid - swimming upstream.

Because your accounts should be helping you, not driving you to distraction.

With this guide you'll get comfortable with:

- 1 Which accounting tools to use and setting them up**
- 2 Intepreting your Amazon fees**
- 3 Understanding your Amazon tax obligations**
- 4 Finding a specialist accountant when you need one**

This resource is a summary of more detailed guides as part of the Ecommerce Accounting Hub. These will be linked throughout for further information.



1

The Setup

▶ [See the full guide here.](#)

Amazon sellers can make serious profit if they play their cards right. But any business could be full of potential and still collapse if the money isn't handled well.

There are a few smart things you can do - the earlier the better - to ensure this doesn't happen to your business.

5 pillars of success with Amazon accounting

1 Register your business and take it to the cloud.

Registering as a legitimate business can protect both you and it if things go wrong. And ensuring the software you use is on the cloud is also the most secure option, and will allow you to access your systems from anywhere. [See the full guide to Amazon Accounting Software.](#)

2 Put together an Amazon business plan.

Huh, is this linked to accounting though? Of course it is - you want your accounts to be a strategic asset that you can use to reach your goals. How do you know what they are without planning ahead of time?

Your plan doesn't have to be non-negotiable once you write it up, it's just there to help guide you, and remind you of the progress you're making. [We have a template for one here.](#)

3 Get into the habit of looking at your accounts.

This is an ongoing process that should never stop. Your accounts should be guiding your business decisions. They are the beating heart of your business so you should be constantly aware of what's happening and where you could be [making silly mistakes.](#)

This might look like ten minutes a day, or a few minutes a week - whatever it takes to feel and stay on top.

4 Optimize your accounting stack.

Having your Amazon account and your accounting software talk to each other is a great step, but the tech can do much more work for you than that.

A2X saves you hours each month with accurate reconciliations, automatic journal summaries for your deposits, and settlements split by month for easier forecasting. Amazon accounting is notoriously complex, but A2X makes it easy. We'll talk a little more about how in the **Amazon fees** section below.

5 Get (and stay) informed with online resources.

There is a wealth of information for Amazon sellers online. The [A2X Ecommerce Accounting Hub](#) and [blog](#) are just the beginning. Some of our expert accounting partners have courses available, [like this one by Catching Clouds.](#) There are also [Amazon podcasts](#) you can listen to.

Keen to join a community of peers in the ecommerce space? You can share your own experiences, insights, questions, and network with others. Join our [Ecommerce Back-office Facebook group](#) to do just that.

These first few steps should help you feel and stay in control of Amazon accounts.



2

The Fees

- ▶ [Full guide to Amazon fees and transactions here.](#)
- ▶ [Full guide to Amazon FBA fees here.](#)



"Amazon settlements tend to be very complicated and convoluted."

"Accounting for Amazon is a nightmare."

"I used to spend hundreds of dollars a month for bookkeeping by accountants that was inaccurate due to Amazon complexities."

"Deciphering Amazon statements is just such a huge undertaking and leads to human errors."

– [Capterra reviews](#)

The reviews speak for themselves – Amazon accounting can be challenging. And fees are often at the heart of that challenge.

Why?

Well, there are a lot of them for a start. And they're not always clearly accounted for by the platform itself.

It may take deeper detective work from you to figure them out – and who has spare time to do that?

Not ecommerce sellers.

To help you interpret your seller statement, we have a list of [Amazon fees and transactions available to view here](#).

It all starts with the following fees:

Fee type	Name	Amounts*
Subscription	Individual seller	\$0.99/item
	Professional seller	\$39.99/month
Commission	Referral fee	Dependent on item and category, most between 8-15%
	Closing fee	Specific items only subject to an extra closing fee.

*These fee amounts were correct at the time of writing, please see [the official Amazon pages](#) to verify.

You will then find service fees for processing things like returns, for any kind of stock management on your behalf, or even having high volumes of listings.

And if you sell with Amazon FBA, there are a host of other fees to contend with. Luckily, [we have another guide dedicated solely to those](#).

Amazon fees likely number in the hundreds - it's difficult to pin down a number. And they change each year too.

But there is a quicker way to decipher, manage and potentially lower your Amazon fees.

And that's by using A2X.

For each bank deposit that you receive from Amazon, A2X automatically generates a journal entry detailing all the income and expense lines associated with that deposit.

Every fee, along with tax collected, shipping paid, returns reimbursed, and any other transactions you need to know about, is laid out for you.

All automatically, and accurate every single time.

There's a reason it's called the *gold standard* for ecommerce accounting.

By having this detailed understanding of exactly what Amazon charges you for, and how much, you can begin to plan for and hopefully reduce those charges over time.

A2X also organizes your books via [the industry-approved accrual method of accounting](#).

This dynamic view of your cash flow makes for better forecasting and a more accurate picture of the health of your business.

[Here's an example](#) of an Amazon statement versus an A2X journal entry:

Amazon activity on a cash basis		VS	Amazon sales as interpreted by A2X	
Income from Amazon per deposits	\$109,580		Amazon Sales	\$147,687
			Shipping Income	\$2,001
			Sales Tax Collected	\$3,957
			FBA Inventory Reimbursement	\$7,878
			Amazon FBA Fees	-\$33,873
			Chargebacks/Refunds	-\$16,024
			Shipping Fees	-\$1,230
			Promo Rebates	-\$816
			Net Deposit	\$109,580

As you can see, eight transactions are reduced to one single line.

A lot of crucial data is missed, potentially leading you to skew margins, misread your financial reports and even overspend in the future (if you haven't already).

There are far more financially sound and sustainable ways to run your business.

Get on top of your Amazon fees the right way with A2X.

Plus, [there's a free trial](#). So what have you got to lose?



3

The Taxes

▶ [See the full guide here.](#)



Ah, taxes - the joy of life whether you sell online or not.

Did you know that any money you make on Amazon should be declared on your income tax return? In most cases, anyway.

There are at least two taxes, if not three or more, that online sellers need to be aware of.

These are sales tax, income tax, and potentially VAT, GST, or any overseas taxes if you sell internationally.

Here, we'll provide an introduction to the key ones, and provide further resources to learn more about your obligations.

Please use this resource as a guide only. Taxes are hugely dependent on your individual circumstances, so it's best always to seek the advice of an expert on your particular situation. [You can find one via our directory.](#)





Whether or not you need to collect and remit sales tax all depends on how much business you do, and where.

Each US state operates slightly differently when it comes to sales tax. Rates, filing frequencies, and thresholds (the limit you need to exceed to be eligible to collect), all vary, so you need to keep tabs on what your obligations are.

Ecommerce is worth so much money today that the IRS is onto sellers, so this isn't something you want to ignore.

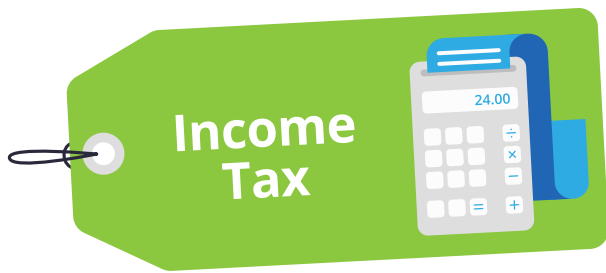
Sales tax is complex, so we have [an entire section of the Ecommerce Accounting Hub](#) dedicated to helping you understand the nuts and bolts.

There's also our [Ultimate Guide to Amazon Sales Tax](#) too, for specific help on the platform.



Here are some quick fire facts about sales tax for Amazon sellers you need to know:

- Whether or not you need to collect and remit sales tax depends on whether you have physical or economic nexus with a state.
- Nexus is a link, and is achieved in a few different ways. Economic nexus means you make enough money in a place to be eligible to collect sales tax. Physical nexus means you have some kind of physical presence in that state, and so need to collect tax.
- Physical nexus includes FBA warehouses, so if you use Amazon FBA, you need to find out where your items are stored and register to pay tax there.
- Some states have enacted [marketplace facilitator laws](#) which make Amazon responsible for collecting sales tax on your behalf. In these locations, you don't need to do anything.
- Not all states expect sellers to pay their own rates of sales tax if nexus is established. Some states work off a destination-basis, which involves you paying another state's sales tax rate. Make sure you know what your nexus states expect of you.



There doesn't appear to be a specific threshold for income to exceed to have to declare it on your tax return.

What does that mean for you? That regardless of your income from Amazon, it's best practice to declare it.

Generally, your income tax return is due at the end of each financial year. If you are a salaried employee, your tax is largely taken automatically, and your return is quite straightforward in this respect.

But for the self-employed or business owners, there are a few more steps.

Typically, US Amazon sellers need to do the following regarding their income tax return:

- Download and fill in [IRS form 1040](#). This is for an individual tax return.
- Next, fill in a [Schedule C form](#). This reports profit and loss for a business.
- Lastly, Amazon may send you a [1099-k form](#). It is required to do this by law for its sellers making over a certain amount, and it will fill it in based on the information it has about you. It's your responsibility to check if this information is correct before filing.

NB: *These forms may not be the same for everyone. Make sure to get tailored advice.*

These are the basics of income tax for Amazon sellers. We have [an entire guide dedicated to exactly this](#), for more information and resources to help.



Expanding your business internationally opens it up to a world of new customers - and their home taxes.

With global ecommerce such an ingrained part of life across the world, governments overseas will expect you to follow their rules too. If you're eligible to remit their version of sales tax, then you'll most likely be on their radar.

VAT in Europe, and GST in Canada, Australia, New Zealand, and elsewhere are probably the most common types you'll come into contact with.

Dealing with Europe has become a little easier, thanks to new regulations introduced in mid-2021. All countries have the same revenue threshold, and you can manage your taxes for all member states in one place.

These taxes of course differ between countries, so we have dedicated guides to the most common ones for US-based Amazon sellers below:

- [The Ultimate VAT Guide for Amazon sellers \(UK & Europe\)](#)
- [Amazon Tax in Canada](#)
- [Amazon Tax in Australia and New Zealand](#)

Tools to help you manage your taxes

If taxes keep you up at night, it might be worth automating the process. Particularly if you have nexus with multiple states and need to keep track of how much you're collecting.

Tax apps like [TaxJar](#) and [Avalara](#) are designed to keep you compliant even as the rules evolve - which they do all the time.

Integrate them with your accounting software for expert help, advice, and accurate tax tracking so you can sleep soundly.

And remember, [specialist help](#) is just around the corner, should you need it.

Which leads us nicely onto our final section – finding an Amazon specialist accountant.



4

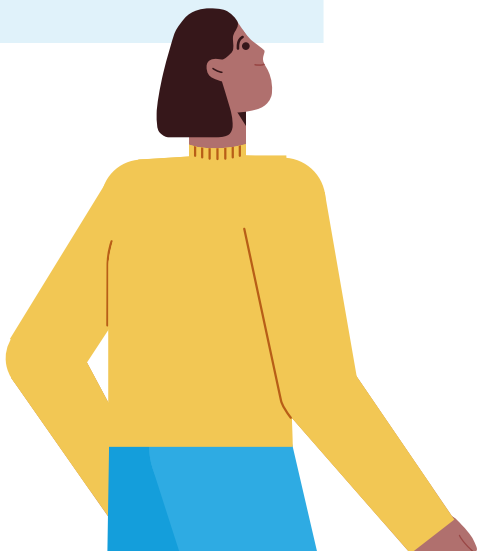
Amazon Specialist Accountants



Before we dive into finding the specialist that's right for you, let's get a couple of things straight:

1
Proper Amazon accounting matters all the time, not just at tax time.

2
DIY bookkeeping will not save you money. Unless you're a pro, perhaps - and even then, it's unlikely. Think of all the things you can do with that saved time.



Accounting software and a solid setup will help get you going, and maintain tidy, accurate records.

A specialist accountant will take that a step further.

A specialist will give you:

- Industry knowledge and expertise to help you overcome the obstacles of running an ecommerce business today. There are so many elements to running an Amazon business, so having this knowledge tailored to you could be invaluable.
- An in-depth understanding of sales tax to ensure you meet your obligations. The rules are complex and still changing, so having an expert onside will keep you compliant without adding to your workload.
- Seasoned advice about automation options and how to get the biggest bang for your buck. There are many software providers that do multiple things, so an accountant may be able to suggest where to spend less but get more.

If you're unsure whether your systems are set up properly, working optimally, or accounting is taking up too much of your time, it's probably time to get some help.

Tips for securing the right specialist for you



You can find an accountant [from our list of trusted partners here](#). Make sure to think about the following things as you reach out to them:

- 1 At what stage in your business journey are you?**

This should govern the types of services you look for. If you're small, you may just want help setting up, or with your taxes. As you grow, your needs will evolve too, so ensure your candidates have the right kind of experience.
- 2 Can they demonstrate relevant experience?**

It's important to partner with someone who can show their success through other clients, and give you examples of how they have added value to clients in the past.
- 3 Are they an Amazon specialist? How about other platforms?**

Firstly, make sure they are experts on Amazon. Secondly, if you think you may expand in the future, could they help? Do they have skills with other platforms too?
- 4 What's included in their fees?**

Some accountants will include certain tools, apps, and automations in their fees and others won't. Make sure you're clear on what you're buying before you commit. And are you comfortable with the tools they use?
- 5 Do they work with cash or accrual-based accounting?**

[The latter is better for ecommerce for a number of reasons](#), so make sure your accountant uses this method.

These are just a few thought-starters for your journey to finding the perfect accountant for your Amazon business.

With the power of apps and automation behind them, accountants can offer a whole new level of service to their clients today.

Ideally, you want to foster a long-term relationship with an individual or a firm, so be picky at the beginning and ask lots of questions.

Your accountant should be able to help you make strategic decisions about the future of your business, not just help you file your tax returns.

Happy searching!

