

Etsy Accounting 101



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The health and prosperity of your Etsy store is just as much about money management as it is your creativity.

If you're not accounting for your store's finances properly, it's likely that you won't make any profit. Or you might, but you may not know it!

Fortunately, accounting doesn't have to be complicated. The tech exists today to help sellers just like you get the books right in less time, so you can get back to making.

This resource is a summarized version of more detailed guides linked throughout, and covers:

1 Accounting basics for Etsy

2 Etsy fees

3 Etsy taxes


By the end of this guide, you should have streamlined, simplified, and automated Etsy accounts.

What's not to like?



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Accounting basics for Etsy

 [See the full guide here.](#)



Spreadsheets might seem like a good starting point for your Etsy accounts.

They're free, they allow you to design everything yourself, and you can use formulae to calculate everything automatically, right?

Well, yes. But also, no.

Spreadsheets are endlessly useful tools, but relying on them completely for your accounting is fraught with risk for human error. Particularly when you're new to accounting, and finding your feet.

Here's why you need to discard the idea of using spreadsheets right away, and turn your attention to accounting software:

- Accounting software has everything you need to get started built in, spreadsheets do not.
- Accounting software is scalable, spreadsheets are not.
- Accounting software is secure, spreadsheets are not.
- Accounting software can be automated, spreadsheets cannot.
- Accounting software can be added to and expanded through apps, spreadsheets not so much.
- Accounting software is best practice for ecommerce business accounts, spreadsheets are not.

If you want your business to grow, you need the right tools to facilitate growth. Accounting software is not where you should scrimp - it keeps the lifeblood of your business pumping.

In fact, if you were to have only one app or piece of software for your business, it should be accounting software - hands down.

Cool, so now that's cleared up, you might be wondering - which provider do you pick?



Accounting software picks for Etsy

We recommend the following providers for their established industry reputations, ease of use, integration options, and usability.

Quickbooks Online

[A few years back](#), Etsy launched an integration with Quickbooks Self-Employed, but it seems that sellers prefer the more flexible Quickbooks Online product.

[Learn more about it and how to sync with Etsy here.](#)



Xero

A popular choice for smaller businesses in particular, Xero makes accounting simple, easy, and scalable.

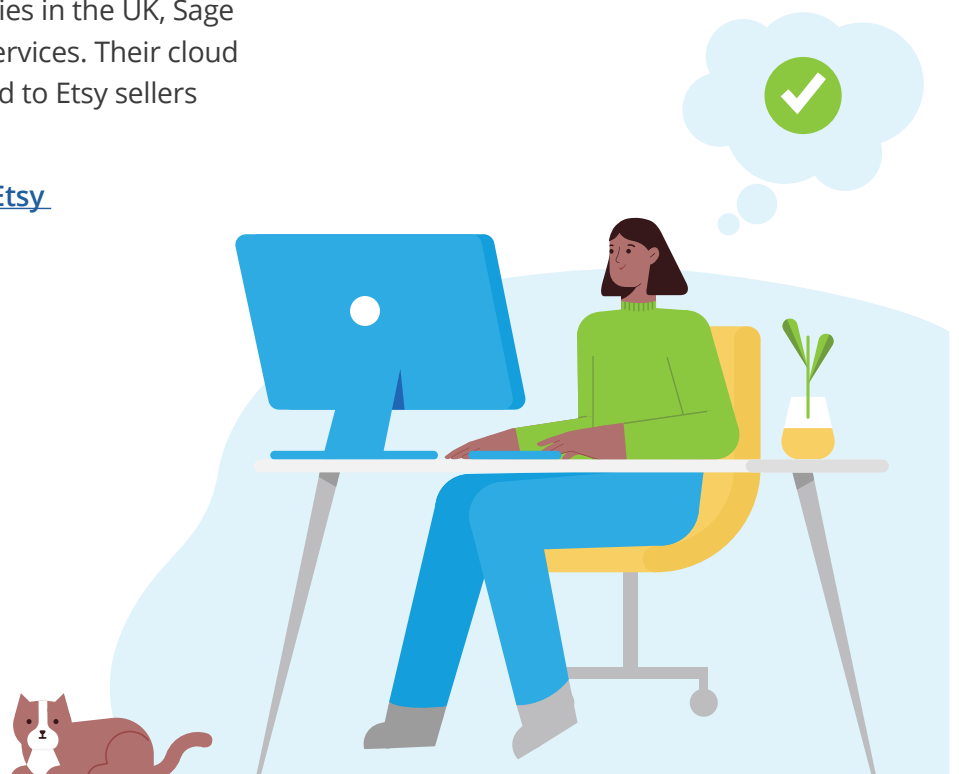
[Learn more about choosing Xero for Etsy and integrating them here.](#)



Sage

One of the largest tech companies in the UK, Sage offers a suite of products and services. Their cloud accounting product is well-suited to Etsy sellers wanting professional records.

[Find out more about Sage for Etsy and syncing them here.](#)



The extra step to make your accounts bullet-proof

There are two concepts to get familiar with as you learn the basics of accounting for your Etsy store.

These are **accrual accounting** and **settlement accounting**.

Both of these are approaches to how you record and deal with transactions in your books.

They are considered the best for giving you an accurate picture of the health of your business in the most efficient way.



Accrual accounting is all to do with the timing of when a transaction is recorded. Rather than recording it when money changes hands, it is recorded when the transaction took place.

This is more accurate, more true to life, and will give you a better idea of your business' true performance throughout the year. [We have a dedicated guide to better understanding it here.](#)

Settlement accounting is all to do with batching transactions in your accounting software as opposed to dealing with individual orders.

For each settlement (deposit) you receive from Etsy, you'll have a journal entry detailing all the transactions associated with it. This helps keep your software running at optimal speed and you can deal with less orders when reconciling.

Neither of these approaches come automatically with accounting software. And that's why A2X was born.

Conceived by a couple of ecommerce sellers looking for a better way to manage their accounts, A2X organizes your books with both of the approaches above.

Journal entries or invoices are automatically generated for you with each settlement, and if a settlement spans months, it will be split for you.

Without A2X, you'll need to figure out all the

transactions that were associated with each bank deposit. And with fees already taken out, this can be complex and time-consuming.

A2X scales with your store, saves you hours each month, and lets you get back to what you love about your business - creating.

It also helps you track, manage, and perhaps even reduce your fees.

We'll look at that next.

[You can try A2X for free today!](#)

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Etsy Fees

Your Etsy fees are a business expense. And as such, you should understand them inside and out.

[▶ Find the full guide here.](#)



You need to understand what are you being charged, why, and when - all so that you can forecast them, plan for them, and mitigate any mistakes.

Particularly because they change.

[Like in 2018](#), when Etsy raised transaction

fees from 3.5% to 5%. And more recently with charging businesses for off-site advertising, some of which are unable to opt-out.

Here, we'll cover the core fees you'll be dealing with on Etsy.

Name	Description	Rate*
Listings	Charged each time you create or renew a listing.	\$0.20c
Transactions	Charged each time you make a sale.	5% of final sale value
Advertising	These depend on the format of your ads. You can advertise on Etsy with a budget, set up from a campaigns area in your dashboard. You also have the option to advertise off-site, and in these cases, you may only pay when the ad results in a sale.	On-site ads depend on your own set budget. Off-site ads can vary between 12-15%.
Subscriptions	For sellers wanting to grow stores and have more flexibility, they can subscribe to Etsy Plus. With their subscription fee, they get 15 free listings per month and \$5 ad credit, among other perks.	\$10/mo
Payment processing	Each transaction processed through Etsy Payments is charged a fee. There will be other fees associated with processing payments in some circumstances too, like, for example, currency conversion fees. And if you sell in-person, you may need to consider the fees charged by whichever payment gateway you choose to use.	Varies
Delivery	Etsy can provide help with fulfilment. If you print postage labels through Etsy, you'll be charged.	Varies

*Rates included here were correct at the time of writing.

[Be sure to check the fees and payments policy pages for the latest rates.](#)

There's also [Etsy Pattern](#) for sellers that want the greatest level of control.

For \$15/mo, you can buy a custom domain for your store, design your own site and branding, and you won't be subject to listing or transaction fees.

So you have a few options. And understanding what you're paying in detail can help you find ways to save.

But figuring out what you've paid in fees is a slow, manual process - without A2X.

So integrating your Etsy store via A2X will not only get you those best practice accounting methods we talked about above, but it could save you time and money too.



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Etsy Taxes

▶ [Get into the full guide here.](#)



Taxes! Everyone's favorite...

One of two things we'll never avoid. And with the intense expansion and value of ecommerce today, sellers like you are certainly not immune.

The IRS has you in their sights. So don't delay in getting your tax ducks in a compliant row.

Here, we'll cover the basic ones to be aware of.

Please remember that taxes are highly circumstantial and vary between sellers. This should be used as a guide only for US-based Etsy sellers. Always get tailored expert advice before filing.

[You can find specialists ready to help here.](#)



A turning point in sales tax for ecommerce sellers came in 2018.

Following the court ruling nicknamed the "[Wayfair decision](#)", sales tax regulations were adapted specifically to target ecommerce sellers.

From then on, if you exceeded the revenue threshold set by a state, you needed to collect and remit tax to that state.

Where things start to get complicated is, of course, which states sellers need to pay attention to. They sell remotely, right? So do they need to collect tax in multiple states?

Potentially, yes.

It's not straightforward. It is important. And it should be a priority for you.

[Our detailed sales tax guide specific to Etsy](#) helps you figure out which states you need to pay attention to, what the rules are, how to file, and where to get help.



It's likely you're no stranger to income tax.

Unfortunately, any money you make from Etsy likely counts as income, and should be declared on your tax return at the end of the financial year.

This will, of course, vary - but very few people are exempt from income tax these days.

The forms you will need in most cases are:

[IRS Form 1040:](#) This form is for US taxpayers filing an income tax return.

[Schedule C:](#) This form is to declare profit and loss from a business.

[IRS Form 1099-k:](#) This form is filled out by Etsy on behalf of sellers who make over a certain amount of money in one financial year. It is sent to you to verify the numbers and details, so you need to be able to align your own records before submission.

Remember, your circumstances may warrant different forms, so **[please check with an expert](#)** before submitting any documents.



If you're not selling internationally yet, then file away this section for another day.

If however, you are, then stick with us.

Sales tax overseas works slightly differently and has slightly different names, but the concept is the same.

In Europe, you'll find VAT. In Canada, Australia, and New Zealand, GST.

All you need to know about them is that you may be eligible to collect and remit these too, if you meet an overseas territory's threshold to do so.

In Europe, **[as of July 2021](#)**, every member state has a threshold of €10,000. And you can file for multiple countries in one centralized space.

Like with sales tax in the US, these countries' requirements have and continue to evolve. It is your responsibility to stay on top of your obligations to avoid a nasty, backdated bill.

[Find help with your taxes from one of our trusted ecommerce specialists here.](#)