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# E-Commerce: Online Sales & Services

*The purpose of this Tax Fact is to provide general guidelines on how tax applies to the sale of products and services via electronic channels. It is not intended to answer all questions that may arise. The information contained in this fact sheet is current as of the date of publication.*

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## E-Commerce: Online Sales & Services

E-Commerce typically refers to buying or selling products or services online through a mobile app, website, or both.

As with traditional commerce, there are four principal categories of e-commerce: B2B, B2C, C2B and C2C.

- B2B (business to business) – This involves companies doing business with each other. One example is manufacturers selling to distributors and wholesalers selling to retailers.
- B2C (business to consumer) – B2C consists of businesses selling to the public through shopping cart software, without needing any human interaction.
- C2B (consumer to business) – In C2B e-commerce, consumers post a project with a set budget online, and companies bid on the project. The consumer reviews the bids and selects the company.
- C2C (consumer to consumer) – This takes place within online classified ads, forums, or marketplaces where individuals can buy and sell their goods.

Source: Rivera, Andreas. "What is E-Commerce?" *Business News Daily* 16 Aug. 2017. <<http://www.businessnewsdaily.com/4872-what-is-e-commerce.html>>.

For e-commerce transactions, the South Dakota tax rate is based on where the customer receives the product or service. See [ARSD 64:06:01:63](#).

- To lookup the sales tax rate for a given address, visit the Department of Revenue's [TaxMatch](#) tool.

Tax applies to the entire sales price, including any charges for shipping and handling.

Service or transactions fees charged to sellers or buyers may be taxable. Contact the South Dakota Department of Revenue to discuss the taxability of these fees.

## E-Commerce Businesses Located in South Dakota

Internet sales by businesses physically located in South Dakota are treated just like sales made at retail stores, by sales representatives, over the telephone, or by mail order.

- If you are a seller located in South Dakota, you must obtain a sales tax license from the South Dakota Department of Revenue.
- Sales of products or services to customers in South Dakota are taxable.

### **Voluntary Collection of Sales Tax**

*If you are an online business not located in South Dakota and interested in voluntarily collecting sales tax, please contact the South Dakota Department of Revenue.*

## Marketplace

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A marketplace is a website or mobile app that facilitates shopping of products and services from many different sources.

Both products and services can be purchased through a marketplace. A seller can offer their products and services through a mobile app, website, or both.

Marketplaces generally fall within one of two categories:

- *Traditional Marketplace*
  - A platform where the operator of the marketplace does not own any inventory.
  - The traditional marketplace business style is to present to a buyer other people's inventory and facilitate a transaction.
- *Hybrid Marketplace*
  - A platform where the operator of the marketplace offers products of its own, along with products from other sellers.
  - The hybrid marketplace business style is to present to a buyer the operator's inventory along with other people's inventory and facilitate a transaction.

*If you are a seller located in South Dakota, you must obtain a sales tax license from the South Dakota Department of Revenue.*

**Apply for a sales tax license online at [www.sd.gov/taxapp](http://www.sd.gov/taxapp).**

## Sellers Through a Marketplace

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A seller in a marketplace is anyone who provides services or products for purchase. The seller could be a third party individual or the operator of the marketplace.

- If a marketplace seller is located in South Dakota, they must obtain a sales tax license from the South Dakota Department of Revenue and remit sales tax.
- Sales tax applies to the entire sales price, including any charges for shipping and handling. The sales tax rate is based on the customer's shipping address.
- Service fees charged by marketplace operators to sellers or buyers may be taxable. Contact the South Dakota Department of Revenue to discuss the taxability of these fees.

The South Dakota sales tax rate is based on where the customer receives the product or service. See [ARSD 64:06:01:63](#).

- To lookup the sales and use tax rate for a given address, visit the Department of Revenue's [TaxMatch](#) tool.

## Buyers Through a Marketplace

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A buyer in a marketplace is anyone who buys services or products through a marketplace platform.

- Use tax may be due if no sales tax is charged on the purchase of a product or service.
- To determine if use tax is due, review the following tax facts or call 1-800-829-9188.
  - [Use Tax - Everyone's Responsibility](#)
  - [Use Tax](#)
- If you determined use tax is due, you can file and pay electronically [here](#).
- Tax applies to the entire sales price, including any charges for shipping and handling.
- Service fees charged by marketplace operators to sellers or buyers may be taxable. Contact the South Dakota Department of Revenue to discuss the taxability of these fees.

The South Dakota sales and use tax rate is based on where the customer uses or consumes the product or service. See [ARSD 64:06:01:63](#).

- To lookup the sales and use tax rate for a given address, visit the Department of Revenue's [TaxMatch](#) tool.

# Examples

## ABC Marketplace: Order Summary Example #1

Shipping to: Jane Doe - South Dakota

Subtotal (1 item)	\$349.99
Shipping & Handling	\$18.22
Total before tax	\$368.21
Tax Due	\$23.93
Order Total	\$392.14

ABC Marketplace is collecting and remitting sales tax due on this purchase.

In this example, Jane Doe purchases an item on ABC Marketplace. When finalizing her purchase, she notices that tax is being charged on her purchase and the item is being shipped and sold by ABC Marketplace.

- ABC Marketplace is collecting and remitting sales tax due on Jane Doe's purchase.
- Jane Doe does not owe use tax since sales tax was collected by the seller.

Note: This item ships from and is sold by **ABC Marketplace**.

In this example, John Doe purchases an item from ABC Marketplace. When finalizing his purchase, he notices that no tax is being charged on his purchase. The item is being shipped and sold by Crafty Grandma Seller.

- Crafty Grandma Seller is not collecting and remitting sales tax.
- John Doe may owe use tax on this purchase. He should pay his use tax due through the [online use tax file and pay](#).

## ABC Marketplace: Order Summary Example #2

Shipping to: John Doe - South Dakota

Subtotal (1 item)	\$384.97
Shipping & Handling	\$11.14
Total before tax	\$396.11
Tax Due	\$0.00
Order Total	\$396.11

If a buyer sees no tax due on a purchase, they more than likely owe South Dakota Use Tax.

Note: This item ships from and is sold by **Crafty Grandma Seller**.

## Contact Us

If you have any questions, please contact the **South Dakota Department of Revenue**.

Call toll-free: 1-800-829-9188

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