**New Store Owner Training: How Do Taxes Work?**

So, you are a new Shopify store owner. You might be wondering about taxes. Anytime someone sells products online they have to worry about sales tax. But not everyone pays sales tax and you may not have to pay tax on any of the orders that you sell. In addition, you have to worry about income tax. If you’ve worked for yourself before you know that as an independent contractor or self-employed individual you have to pay your own taxes and that means keeping track of things like expenses, income and other factors.

Sales Tax

So how does sales-tax work? It actually differs from one state to another in the United States. If you are outside of the United States you will have an entirely different set of tax laws to deal with. However, a good rule of thumb to go by is that if you sell a product in the state or province that you are currently located in and the buyer is also in your state or province you’ll have to pay taxes on it. Obviously, the state sales tax rate where you live will be applicable.

One of the things that you want to keep in mind is that you should set aside your sales tax right away because the state is going to want you to pay your sales tax every three months or so. If you don’t have it when it comes due, you could be stuck with some pretty hefty fines and your business to be closed down after repeated violations.

Income Tax

Besides having to pay sales tax on any products that you sell within your own state, you are also going to have to pay your own income tax. This is only payable once per year at the same time that you normally would file your taxes if you had a regular job. If you haven’t been self-employed before, it is both a blessing and a curse. You might be able to pay less tax than you normally would, because of your expenses, but you also have to set a pretty big chunk of money aside from all of your income to make sure that you can cover your tax since you won’t know how much a low until the very end of the year. Of course, once you figure out what you owe and you write the check, you’ll have an instant tax return.