

Paddle vs Lemon Squeezy vs Polar vs Stripe Managed Payments: which merchant of record

A merchant of record becomes the legal seller of your digital product and remits VAT and sales tax worldwide, for a fee near 5% plus 50 cents. The four main options have converged on almost the same headline rate, so the choice now turns on ecosystem, features and who owns the meter. Here is how Paddle, Lemon Squeezy, Polar and Stripe Managed Payments compare in 2026.

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If you sell a digital product across borders, a merchant of record is the shortcut that lets you skip registering for VAT and sales tax in every country you sell into. It is not a payment processor. It is a company that becomes the legal seller of your product, so the tax on each sale is its problem, not yours. The trade is simple: you pay a visibly higher rate, around 5% instead of under 3%, and in return you never touch a foreign tax registration or a VAT return. The interesting development in 2026 is that the four main options have converged on almost the same price, which changes how you choose between them.

What a merchant of record actually does

A gateway like Stripe, Mollie or PayPal moves money but leaves you as the seller of record. That means charging the correct VAT or sales-tax rate, registering where you cross a threshold, and filing the returns is your job. A merchant of record (MoR) flips that. It becomes the legal seller: the buyer statement shows the MoR name, and the MoR calculates, collects and remits VAT and sales tax in every jurisdiction where it is owed, handles fraud and chargebacks, and provides buyer support. You get one payout and one line item, and the cross-border tax machinery sits with the MoR, not you.

That is why an MoR is priced at roughly 5% rather than the 1.5% to 2.9% a card processor charges. The extra points are not just payment margin; they are the cost of someone else carrying your global tax compliance and the liability that comes with it.

The four options, and what each charges

- Paddle: 5% plus about 0.50 dollar per transaction, no monthly fee, bundling card processing, global tax compliance, fraud and chargeback cover and support. If your payout currency differs from the sale currency it adds a currency-conversion margin, put at roughly 2 to 3 percent in independent breakdowns. Products under about 10 dollars need bespoke pricing. The most established of the four.

- Lemon Squeezy: 5% plus about 0.50 dollar base, then surcharges stack on top, about 1.5%

for a non-US card, roughly 1.5% for PayPal, 0.5% on subscriptions, and a surcharge on payments recovered through its abandoned-cart emails. Acquired by Stripe in July 2024 and now being folded toward Stripe Managed Payments.

- Polar: historically 4% plus 0.40 dollar, the developer-first open-source option. Organisations created on or after 27 May 2026 start on the Starter tier at 5% plus 0.50 dollar; those created before that date keep the 4% plus 0.40 dollar Early Member rate (plus 0.5% on subscriptions) indefinitely, unless they move to a paid plan. Paid plans (Pro 20 dollars, Growth 100 dollars, Scale 400 dollars a month) buy the lower per-transaction rate back.

- Stripe Managed Payments: Stripe own MoR product, introduced in a February 2026 release and available in 35-plus countries. It is 3.5% per successful transaction on top of normal Stripe processing, so on a standard EEA card (1.5% plus 0.25 euro) it lands near 5% plus 0.25 euro all-in, and on a US card (2.9% plus 0.30 dollar) nearer 6.4%. You switch it on with a single parameter in Stripe Checkout, so an existing Stripe store flips it on without moving platforms.

The Stripe Managed Payments figures come from our news post on Stripe launching its own merchant of record, which walks through the all-in math against Paddle and Lemon Squeezy. (List prices, checked July 2026, they move.)

Why the headline rates have converged

A year ago these products were spread out: Polar undercut the field at 4% plus 0.40 dollar and pitched itself as the cheap developer option, while Paddle and Lemon Squeezy sat at 5% plus 0.50 dollar. In 2026 that gap has mostly closed. Polar moved new organisations to 5% plus 0.50 dollar from 27 May 2026, Stripe entered with a product that lands near the same all-in number, and Lemon Squeezy is being absorbed into that Stripe product. So price is no longer the thing that separates them for a new seller. That is good news in one way: you are unlikely to overpay badly whichever you pick. It just means the decision has to be made on other grounds.

Where they actually differ once the price is level

- Maturity and coverage: Paddle has the longest track record and the deepest tax and B2B invoicing handling, and it reviews merchants before onboarding rather than accepting everyone instantly. Polar is the newest and leanest, strong on usage-based billing and open source but with the shortest history.

- Ecosystem lock: Stripe Managed Payments is the smallest switch if you already run on Stripe, since it is a Checkout parameter rather than a new platform, but it ties your MoR layer to Stripe. Paddle and Polar are independent of your processor.

- Grandfathering: Polar is the only one where the date you signed up changes your rate. An organisation created before 27 May 2026 keeps 4% plus 0.40 dollar, so an existing Polar account can be the cheapest option on this page, while a brand-new one is not.

- Extra features: Lemon Squeezy built in affiliate tools, digital-download delivery and a storefront builder. Those are not part of Stripe Managed Payments, so if you rely on them, note that the direction of travel is away from them.

The line the rate card hides: refunds and payout timing

The sticker rate assumes every sale sticks, and it says nothing about the sale you refund, which

is where an MoR quietly costs more than the headline number. On all four, a refund returns the sale amount to the buyer but does not return the fee to you: Paddle retains the original processing fee, Lemon Squeezy keeps its transaction fee, Polar treats processing fees as non-refundable, and Stripe does not return its fee on a refunded payment. A chargeback is worse, because it adds a dispute fee on top (Lemon Squeezy, for one, charges about 15 dollars per dispute). So if a meaningful share of your sales get refunded, the fee you paid on them is gone, and your real cost as a share of the revenue you actually keep is higher than the 5% on the pricing page. The higher your refund rate, the wider that gap, which is a reason to read each provider dispute terms and to price in your own refund rate, not just the headline.

The other hidden line is when the money reaches you, because the four pay out on very different clocks and none is instant by default in 2026. Paddle runs a monthly cycle: your balance converts to a payout at the start of the month once it clears your threshold (100 dollars minimum), Paddle sends it by around the 15th, and it takes up to a few working days to land. Lemon Squeezy pays twice a month, batching sales into payouts created on the 15th and paid near the 28th. Polar holds newer organisations to a 7-day settlement delay before funds are withdrawable, after which you trigger payouts manually and they take several business days to arrive. Stripe Managed Payments settles on Stripe normal rolling schedule, roughly two business days after a payment in the US and longer elsewhere, and Stripe may hold a reserve against expected refunds. For a solo seller living on the cash, the difference between money that lands within days and money that sits until mid-month is worth weighing alongside the rate.

The Lemon Squeezy question

Lemon Squeezy is the one to think twice about for a fresh 2026 choice, not because it stopped working but because of where it is heading. Stripe bought it in July 2024, and through 2026 Stripe has been steering Lemon Squeezy merchants toward Stripe Managed Payments, its own MoR. Lemon Squeezy still operates and still onboards sellers, but Stripe has been clear that the long-term home for this capability is Managed Payments, and several Lemon Squeezy extras (its affiliate tools, download delivery and storefront) do not carry over to that product. If you pick Lemon Squeezy today you are, in effect, picking a product mid-migration. For some that is fine, especially if you want its storefront features now; for others it is a reason to go straight to Stripe Managed Payments or to an independent MoR like Paddle or Polar.

When an MoR is worth about 5%, and when it is not

The rate only makes sense against the alternative it replaces. Paying about 5% buys back all the cross-border tax work: registering for VAT, tracking each country rate and threshold, charging correctly and filing returns. Whether that is a good deal turns on how much of that work you would otherwise carry.

- An MoR tends to win when you are small and scattered: a one-person SaaS or a course seller with buyers in dozens of countries, where registering and filing everywhere yourself would cost more in time and risk than the flat fee does. The premium buys back a compliance burden you could not realistically run alone.

- A plain processor plus a tax engine tends to win when your exposure is concentrated or your volume is large. Sell mostly into one country and a single quarterly OSS return plus a sub-3% processor is far cheaper than 5% on every sale. And because the MoR percentage keeps scaling while a tax engine is closer to a fixed subscription, past a certain revenue the processor-plus-engine total drops below the MoR fee.

So the honest way to choose is not to read the pricing pages, which now say almost the same thing, but to price your own two paths: the MoR fee on your real sales, against a processor plus a tax engine plus the hours of compliance you would carry. The heavier and more scattered your tax exposure, the more the MoR earns its cut.

Digital goods only

One caveat decides whether this comparison applies to you at all: the merchant-of-record model is for digital goods and services. Software, SaaS, online courses and downloads fit; physical products do not. If you ship physical goods you stay the seller of record on a normal processor and handle cross-border tax yourself, through OSS and IOSS in the EU, economic nexus in the US and a tax engine to automate the rates. So an MoR is the right tool for a digital seller who wants to disappear the tax problem, and the wrong tool for a physical-goods store, which needs the tax-compliance path rather than a new seller of record.

See your own number

Because the four have converged on price, a sticker comparison no longer tells you much. Put your average order value, monthly volume and card mix into the fee calculator, set the fee rate to the roughly 5% an MoR charges, and read the all-in cost per sale. Then compare that against the same store on a plain processor rate plus what a tax engine and your own filing time would cost, and let the two totals, not the pricing pages, make the call.

Frequently asked questions

What is a merchant of record, and how is it different from Stripe or PayPal?

A merchant of record (MoR) becomes the legal seller of your product. The charge on the buyer statement is the MoR, not you, and the MoR takes on the job of charging, collecting and remitting VAT and sales tax in every country where it is due, plus fraud and chargeback handling. A plain gateway like Stripe or PayPal only moves the money: you stay the seller of record, so registering for VAT, charging the right rate and filing returns is your job. You pay an MoR more (around 5% rather than under 3% processing) to hand off all of that tax work.

How much does a merchant of record cost in 2026?

All four main options now sit near 5% plus about 0.50 dollar per transaction, which already bundles card processing, global tax compliance and fraud handling. Paddle is 5% plus 0.50 dollar. Lemon Squeezy is 5% plus 0.50 dollar with extra surcharges. Polar is 5% plus 0.50 dollar for organisations created on or after 27 May 2026 (older ones keep a grandfathered 4% plus 0.40 dollar). Stripe Managed Payments is 3.5% per successful transaction on top of normal Stripe processing, which lands near 5% plus 0.25 euro all-in on a standard EEA card. So the headline rates have converged, and the choice is now about ecosystem and features, not price.

Which merchant of record is cheapest?

On the headline rate they are close to level, so cheapest depends on the details of your sales. Polar is the lowest sticker if your organisation was created before 27 May 2026 and stays on the grandfathered 4% plus 0.40 dollar Early Member rate, or if you take one of its paid plans. Lemon Squeezy can end up the most expensive of the four once its surcharges stack (about 1.5% for a non-US card, 0.5% on subscriptions, and a surcharge on payments recovered through its abandoned-cart emails). For an existing Stripe store, Managed Payments at 3.5% on top of the processing you already pay is often the smallest change to switch on. Put your real basket size, card mix and volume into the calculator before you assume one wins.

Is Lemon Squeezy still worth using after the Stripe acquisition?

It still works, but its direction has changed. Stripe acquired Lemon Squeezy in July 2024, and in 2026 Stripe is steering Lemon Squeezy merchants toward Stripe Managed Payments, its own merchant-of-record product. Lemon Squeezy continues to run, but some of the extras merchants relied on, like its built-in affiliate tools, digital-download delivery and storefront builder, are not part of Stripe Managed Payments, so a move is not a like-for-like swap. If you are choosing fresh in 2026, weigh whether you are really picking Lemon Squeezy or picking the Stripe product it is becoming.

Can I use a merchant of record for physical products?

Generally no. The merchant-of-record model is built for digital goods and services: software, SaaS subscriptions, online courses, digital downloads and the like. All four here are aimed at digital sellers. If you ship physical products you stay the seller of record on a normal processor and handle cross-border tax yourself, through the EU One Stop Plan (OSS) and IOSS and a tax engine like Stripe Tax or Avalara. The line no fee tally shows in our guide to what a million in online sales costs in fees covers that tax-compliance path for physical stores.

When does a plain processor plus a tax engine beat a merchant of record?

When your tax exposure is small or your volume is large. If you sell mostly to buyers in one country, one quarterly OSS return plus a processor at under 3% is far cheaper than paying about 5% on every sale. And at high volume the MoR percentage keeps scaling while a tax engine is closer to a fixed subscription, so past a certain revenue the flat compliance cost plus processing undercuts the MoR fee. The MoR wins when you are small, selling into many countries, and would rather not register or file anywhere; it stops being the cheaper route as either your volume climbs or your tax footprint shrinks.

If I refund a customer, do I get the merchant-of-record fee back?

No. On all four providers the sale amount goes back to the buyer but the fee you paid does not come back to you: Paddle retains the original processing fee, Lemon Squeezy keeps its transaction fee, Polar treats processing fees as non-refundable, and Stripe does not return its fee on a refunded payment. A chargeback usually costs more again, adding a dispute fee (about 15 dollars on Lemon Squeezy). So on a product with a meaningful refund or dispute rate, your real cost as a share of the revenue you keep runs higher than the roughly 5% headline, which is a reason to price in your refund rate rather than just the sticker.

How fast does each merchant of record pay you out?

None pays instantly by default in 2026, and the clocks differ. Paddle runs a monthly cycle: your balance converts to a payout at the start of the month once it clears your threshold (100 dollars

minimum) and is sent by around the 15th, landing a few working days later. Lemon Squeezy pays twice a month, with sales batched into payouts created on the 15th and paid near the 28th. Polar applies a 7-day settlement delay to newer organisations, after which you trigger payouts manually and they take several business days to arrive. Stripe Managed Payments settles on Stripe rolling schedule, roughly two business days after a US payment and longer elsewhere, and may hold a reserve against expected refunds. If cash flow matters, that gap between funds that arrive within days and funds that sit until mid-month is worth weighing.

Model your all-in fees at an MoR rate

Free, no signup: agent.mue.app/tools/ecommerce-fee-calculator

agent.mue.app/articles/best-merchant-of-record-paddle-lemon-squeezy-polar-stripe

