

# PayPal streamlines fees and terms to attract merchant business

Article

**The news:** PayPal will update its fee structure for peer-to-peer (P2P) goods and services payments, per a press release. US customers will also only be able to send transactions marked as “friends and family” to other customer PayPal accounts, not to PayPal business accounts.

The goods and services seller fee will change from 2.89% plus a \$0.49 fixed fee to 2.99% with no fixed fee for payments coming from US customers. Under the new terms, a \$225 goods and services payment will cost \$6.73, versus \$6.99 under the old structure.

Both changes will take effect on July 28, 2022.

**Key context:** PayPal customers can mark transactions as “friends and family” or “goods and services.” Friends and family payments are personal, nonbusiness transactions between two US PayPal customers. Goods and services transactions typically involve some type of sale and require the seller (or payment recipient) to pay a fee.

**Why the change?** PayPal said both updates aim to simplify its platform for users—but there’s likely more to it than that.

The fee update minimizes the amount that sellers pay to accept payments for goods and services, which can make PayPal more attractive to businesses.

- This benefits PayPal because business accounts are likely more lucrative than customer accounts—they transact larger amounts and carry fees.
- PayPal had an estimated 35 million merchants in Q1, [per](#) an investor update, and a core consumer base of 195.2 million global users, [per](#) Insider Intelligence forecasts. This year, its worldwide core user base is expected to hit 209.3 million.

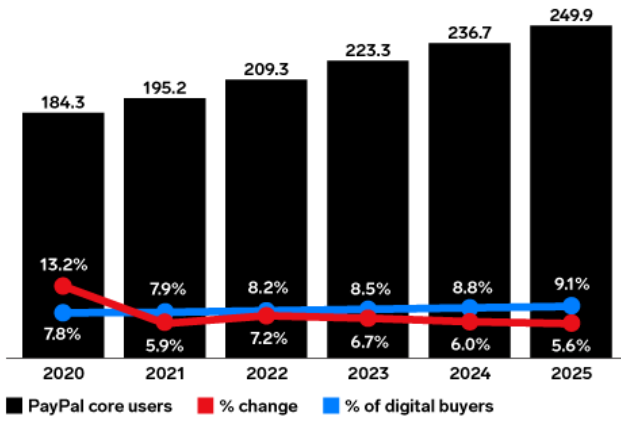
And eliminating friends and family payments for business accounts may help PayPal ensure that business transactions and other sale-related transactions are reported to tax authorities.

- Some business accounts may have been able to avoid tax liability if business transactions were marked as friends and family payments. Effective this year, payment apps like PayPal are required to [report](#) users’ business payments that exceed \$600 in a calendar year to the Internal Revenue Service (IRS).
- One upside of the change is that it’ll be easier for businesses to consolidate year-end transactions made with PayPal.

**The big takeaway:** As it looks to expand its ecosystem, PayPal wants to make its platform more attractive by simplifying its fee structure and making it easier for merchants to report their tax liability. These changes are coming amid a [broader push](#) to increase its checkout business, especially as the P2P space becomes more competitive.

## PayPal Core Users Worldwide, 2020-2025

millions, % change, % of digital buyers



Note: ages 14+; internet users who have accessed a PayPal Core account digitally and/or in-store and have completed a transaction at least once in the past month; includes P2P payments and purchases of goods and services  
Source: eMarketer, Dec 2021

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