What is the difference between a margin and a cost surcharge?

For: Trading company · limited liability company · limited company

Practical business guidance · Reviewed: 2026-11-15

Applicability: Not tied to a statutory date

Margin compares the difference between price and cost with the price. The surcharge compares the same difference with the cost.

Why is the percentage name important?

Margin shows how much of the selling price remains after a given unit cost. The mark-up shows how much you have increased the price above that cost. The same difference in euros therefore yields different percentages.

First, determine what you have included in the cost: the purchase price alone or also delivery, packaging and payment fees. Use comparable amounts for VAT purposes and do not refer to the resulting difference as net profit.

How to prepare this in your business

With each saved calculation, specify which costs you have included and on what basis you calculate VAT. Without this, two people could end up with different "margins" for the same product, even though the only difference is how their input has been defined.

Before applying the discount, recalculate the difference in euros. A small percentage reduction in the selling price can significantly reduce the contribution when the initial gap between the price and the cost is small. Therefore, compare the discount rate with its impact on the amount available.

Example: cost €40, price €60

The difference is €20. The margin is 20/60 = 33.33%, while the surcharge is 20/40 = 50%. If you're using that same difference merely to pay for adverts, rent and your own labour, it isn't your net profit.

Specific next steps

1. Use comparable amounts.
2. Margin = (price − cost) ÷ price × 100.
3. Supplement = (price − cost) ÷ cost × 100.

Most common mistakes

• Set a 30% surcharge and call it a 30% margin.

• Compare the purchase price excluding VAT with the price including VAT.

Limits of application

The difference between the price and the cost of acquisition is not net profit.

If you need further assistance

Calculate the margin, surcharge and contribution to coverage, including the underlying assumptions.

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