

New Policy Changes on China's Cross-Border E-Commerce

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Export Growth China Team



AUSTRALIAN BUSINESS
SOLUTIONS GROUP



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With over 5,000 platforms, the Chinese cross-border e-commerce industry is predicted to exceed RMB6.5 trillion in 2016 reflecting annual growth close to 30%. Though cross-border e-commerce boosts export to China through a shorter value chain, it also created some issues such as tax evasion, inflow of products of inferior quality, unfair competition etc. Hence Chinese government issued two regulation change circulars which took effect from 8 April 2016.

Change 1: E-commerce Tax Circular

- China's previous tax regulations:
Previously, consumer purchases of goods imported via a cross-border e-commerce channel were treated as personal postal articles and only subject to a special parcel tax (ranging from the most common 10%, up to 50%) which was generally much lower than ordinary customs duties plus value added tax. This offered consumer price advantages for cross-border online purchases and created unfair competition for foreign goods imported under the general trade model. In addition, there was a tax exemption for imported goods where tax payable was under RMB50.
- Key changes implemented from 8 April 2016 are summarised as below:
 - ✓ No more tax exemption for goods with an amount less than RMB50
 - ✓ Transactions under RMB2,000 will be subject to discounted rates, but such discounts will only apply temporarily
 - ✓ The annual per capita limit for individual consumers on cross-border e-commerce purchases is RMB20,000
 - ✓ Applicable tax include:
 - Custom duty: 0% (temporarily)
 - VAT (value-added tax) with a discounted rate: effectively 11.9% (temporarily)
 - Consumption tax with discounted rate: 70% discount (temporarily), but this does not apply to food products, except for tobacco and alcohol

Change 2: "Positive List"

A "Cross-Border E-Commerce Retail List of Imported Goods" (both phase 1 and phase 2) was recently released and implemented by the PRC ministry and other government agencies. Items on the Positive List are allowed to be posted /imported into China through cross-border e-commerce channel. It totally includes 1,293 items covering food and beverages, clothing, footwear, hats, home appliances, cosmetics, diapers, and children's toys on phase 1 list, and meat, seafood, fruit, grain, cooking oil, health-care products and medical devices on phase 2 list.

The Positive List covers most of the products that are commonly purchased by Chinese consumers via e-commerce platform. However, a number of health food products, specialty foods, medical devices and first-time imported cosmetics which require special registration. There are few key points need to be noticed:

- From 1 January 2018, infant formula is only allowed to sell via cross border e-commerce platform if it provides registration formalities as required under Food Safety Law. Until then, no registration is required.
- Fluid milk and cream under HS Codes 04011000,04012000,04014000,04015000,04021000,04022100 and 04022900 are included.
- Wine grape juices under HS Codes 20096100 and 20096900 and wine in small packages under HS Code 22042100 are included on the list.
- Many types of cereal are allowed to be imported but subject to the import quota of PRC Customs.
- First-time imported cosmetics will require special registrations.
- First-time imported health supplement products will require special registrations from 1 July 2016.

Please click [here](#) for the cross-border e-commerce retail list of imported goods (phase 1), and click [here](#) for phase 2.

It is likely that products not found on the Positive List will be restricted from sale via cross-border e-commerce platforms that are connected with PRC customs supervision system. But officials said the list will be further adjusted according to industry development and consumer demand.

The following chart outlines various impacts of Positive List on different cross-border e-commerce business models:

Business Model	Subject to the Positive List	Tax changes
1. Bonded Zone Model	Yes	Subject to the E-commerce Tax Circular
2. Direct Shipping Model through websites connected with PRC customs		
3. Direct Shipping Model from Offshore Websites with PRC customs	Currently no	Postal Tax has been changed to 15%, 30%, 60% depending on the products from 8 April 2016
4. C2C Model		

If your products are not on the Positive List, please do not panic yet as these policy changes only apply to cross-border e-commerce platforms and not to traditional trade channels. One door closes, another will open. With the rapid development of China’s economy and the continuous improvement of people's living standards, Chinese people’s demand for safe and high quality products from overseas will continue to grow. Hence, the trade value and volume through traditional trade will still keep growing.

While all these e-commerce policy changes are seemingly shaking the ground, we have two more Sydney based businesses are taking advantage of the NSW Business Chamber's [Export Growth China](#) program by signing major MOU's with Chinese companies. The deals were signed on the final day of the Australia Week in China in Shanghai on Thursday 14 April 2016.

We will keep observing the future instructions on Cross Border E-commerce and keep you updated with any latest changes.

Export Growth China

Supported by Austrade and China Council Promotion of International Trade, Export Growth China is an export assistance program run by NSW Business Chamber on behalf of chambers across Australia.

The program is highly subsidised by the Chamber and provides brand promotion, endorsement and business matching to program participants. Over 100 Australian exporters including some iconic brands such as Akubra Hat, Byron Bay Cookies have joined the program and over \$A4 million dollars sales contract have been secured for program participants since the program launch in August 2015.

The key components of the program include:

- Display and promotion of the products/services in the Shanghai showroom of Australian Business Chamber (trading name of NSW Business Chamber in global market)
- China export diagnosis
- Translation of exporter profile and product information
- Online listing on Australian Business Chamber's China website and social media promotion
- Participation at offline exhibitions, roadshows and other marketing activities
- Business matching with Chinese importers, distributors, agents and retail chains
- End of program reports including market feedbacks, insights and leads

Key benefits for exporters:

- Chamber endorsement
- Effective brand promotion in China
- Business leads qualified by Chamber's on the ground team in Shanghai

For more details on the program, please contact Export Growth China team

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