



# China Tax Alert

Issue 26, December 2018

## New Cross-Border E-commerce Policy Was Issued, Good News For The Sector

### Regulations discussed

#### In this issue:

[Notice on Work Relating to Improved Regulation of Cross-border E-commerce Retail Importation \(Shang Cai Fa \[2018\] No. 486\)](#)

[Notice on Improving Tax Policies for Cross-border E-commerce Retail Importation \(Cai Guan Shui \[2018\] No. 49\)](#)

[Announcement on Adjustment of List of Goods under Cross-border E-commerce Retail Importation](#)

### Background

The State Council decided to improve the current policy for cross-border e-commerce retail importation and expand the scope of application at a recent executive meeting. The relevant government authorities subsequently issued new supporting rules to adjust the regulations on cross-border e-commerce retail importation. More measures conducive to the growth of the sector have been introduced while the new regulatory requirements have been clarified. The new policy will come into effect on 1 January 2019. In this article, KPMG will introduce the relevant regulations and present a brief analysis of the opportunities it will bring to the cross-border e-commerce sector.

### What the new policy is about

#### Applicability clarified

Under the transitional provisions introduced since May 2016, retail imports through cross-border e-commerce channels are regulated as “personal articles on a temporary basis”. As a result, the rights and responsibilities of the parties involved are not clearly defined. Expectations regarding the policy are in flux. The new policy makes it clear that cross-border e-commerce retail importation will be regulated as “imported articles for personal use”. The transitional period which has lasted two and a half years is now coming to an end, setting the stage for alignment with the E-Commerce Law.

#### Rights and responsibilities defined

The responsibilities of the parties involved in cross-border e-commerce retail importation, including cross-border e-commerce enterprises and platforms, domestic service providers, consumers and government departments, have been clearly defined under the new policy to ensure that they can regulate their conduct and that the new policy can be implemented successfully. With clearly defined responsibilities, the interests of the parties can be better protected, creating conditions for the sector to develop in a regulated and healthy manner.

### **Higher limit and more taxable items added**

The changes are listed below:

<b>Items compared</b>	<b>Before 1 January 2019</b>	<b>After 1 January 2019</b>
Single transaction limit	RMB 2,000	<b>RMB 5,000</b>
Annual transaction limit	RMB 20,000	<b>RMB 26,000</b>
A commodity whose value exceeds the single transaction limit but does not exceed the annual transaction limit	Regulated as general trade	<b>Subject to tax at the rate applicable to goods imported through cross-border e-commerce channels</b>
A commodity whose value exceeds the annual transaction limit	Regulated as general trade	Regulated as general trade
Number of taxable items in the list	1258 taxable items	<b>63 new taxable items for which there is a huge demand are added, bringing the total number to 1321</b>

It is noteworthy that under the new policy, “a commodity whose value exceeds the limit for a single transaction but does not exceed the annual transaction limit” will be subject to tax at the rate applicable to goods imported through cross-border e-commerce channels. Though the tax levied remains unchanged compared to the expiring policy, the complex procedures and regulatory requirements to which general trade is subject will no longer apply to cross-border e-commerce retail importation. It will encourage consumers to purchase expensive consumer goods, thus contributing to further upgrading consumption in China.

### **Alignment with AEO certification**

Enterprises engaged in cross-border e-commerce retail importation will be included in the customs credit management system. Differentiated customs clearance and management measures will be implemented according to credit ratings. The efficiency with which an enterprise’s imported goods are cleared will depend largely on its credit rating assigned in the customs credit management system. The average inspection rate of enterprises with high credit ratings is less than 20% of the average inspection rate of those with low credit ratings.

### **Expanded scope**

In addition to the fifteen cities chosen for the pilot project, 22 new cities have been included in the scope to further improve the geographic layout and to better satisfy the public’s demand for imported goods.

### **Relaxed regulatory requirements**

The new policy makes it clear that cross-border e-commerce retail imports will be regulated as imported goods for personal use. Licenses and approvals, registration or filing requirements applicable to first-time importers will not be enforced for cross-border e-commerce retail imports. This will serve as the basis for specific regulatory requirements and is also what industry players are most concerned about.

### **More rigorous regulatory requirements**

Participants need to comply with stricter regulatory requirements under the new policy. For example, enterprises that engage in producing or transmitting false “three documents” information or facilitate reselling in breach of the rules will be subject to penalties; where the case amounts to a criminal offense, the offender will be prosecuted for criminal liability

according to the law. Illegal use of other citizens' identity information to engage in cross-border e-commerce retail importation will be handled as smuggling. In addition, reselling of goods purchased for personal use is forbidden.

### **KPMG Observations**

The cross-border e-commerce sector has met consumers' fast-growing and increasingly diversified demands. Their interests are at stake as the new policy will have a big impact on the development of the sector.

#### **The transitional period coming to an end**

Retail imports through cross-border e-commerce channels will be "regulated as imported goods for personal use" instead of "personal articles on a temporary basis". The change in the regulatory approach will be a long-term provision, which is conducive to the creation of a stable policy environment. Cross-border e-commerce enterprises will be in a good position to make long-term business plans. The new policy will support the cross-border e-commerce sector, promote its development in a healthy and regulated manner and maintain a fair market environment.

#### **Benefits for consumers**

With the annual transaction limit raised and more taxable items added into the list, consumers can buy more high-end goods through cross-border e-commerce retail importation. Cross-border e-commerce operators can expand their activities while more choices will be available for consumers.

#### **The practice of consumers purchasing on cross-border e-commerce platforms and picking up their items in brick-and-mortar stores**


The practice of consumers purchasing on cross-border e-commerce platforms and picking up their items in brick-and-mortar stores that is carried out outside special zones is "forbidden in principle" under the new policy. In fact, cross-border e-commerce operators and consumers have been looking forward to showrooms and store pickup outside the bonded zone. The new policy has left room for special cases to be discussed. The criteria for exceptions and the regulatory approach remain to be further explored.

#### **Compliance**

Though the new policy is good news, cross-border e-commerce enterprises and platforms, domestic service providers, consumers and other parties should attach greater importance to compliance, fully understand the requirements they are expected to comply with in their business activities, and fulfill their duties and responsibilities.

KPMG follows closely developments in the cross-border e-commerce sector, and has accumulated a wealth of experience in macroeconomic policy, cross-border e-commerce and customs-related matters. We can provide the following services for our clients to help them grasp at opportunities and achieve steady growth:

- Assistance in establishing cross-border e-commerce enterprises, operational advisory and tax analysis.
- Special assistance for imported goods classification, price review, customs clearance.
- Compliance check review and optimization recommendations.
- Assistance in application for AEO certification and recertification.



# 创新赋能 税道渠成

# Contact us

## Northern Region



Eric Zhou  
China Trade and Customs Services  
Lead Partner  
Email: ec.zhou@kpmg.com  
Tel: +86 (10) 8508 7610



Helen Han  
Partner  
Email: h.han@kpmg.com  
Tel: +86 (10) 8508 7627

## Eastern and Western China



Anthony Chau  
Partner  
Email: anthony.chau@kpmg.com  
Tel: +86 (21) 2212 3206



Dong Cheng  
Partner  
Email: cheng.dong@kpmg.com  
Tel: +86 (21) 2212 3410



Rachel Tao  
Director  
Email: rachel.tao@kpmg.com  
Tel: +86 (21) 2212 3473

## Southern Region



Grace Luo  
Partner  
Email: grace.luo@kpmg.com  
Tel: +86 (20) 3813 8609



Vivian Chen  
Partner  
Email: vivian.w.chen@kpmg.com  
Tel: +86 (755) 2547 1198



Phillip Xia  
Director  
Email: Philip.xia@kpmg.com  
Tel: +86 (20) 3813 8674

## Hong Kong



Daniel Hui  
Partner  
Email: daniel.hui@kpmg.com  
Tel: +852 2522 7815

创新赋能  
税道渠成

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG Advisory (China) Limited, a wholly foreign owned enterprise in China and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International.

For any enquiries, please send to our public mailbox: [taxenquiry@kpmg.com](mailto:taxenquiry@kpmg.com) or contact our partners/directors in each China/HK offices.

**Khoonming Ho**  
Head of Tax,  
KPMG Asia Pacific  
Tel. +86 (10) 8508 7082  
khoonming.ho@kpmg.com

**Lewis Lu**  
Head of Tax,  
KPMG China  
Tel. +86 (21) 2212 3421  
lewis.lu@kpmg.com

**Beijing/Shenyang/Qingdao**  
**Vincent Pang**  
Tel. +86 (532) 8907 1728  
vincent.pang@kpmg.com

**Tianjin**  
**Eric Zhou**  
Tel. +86 (10) 8508 7610  
ec.zhou@kpmg.com

**Shanghai/Nanjing/Chengdu**  
**Anthony Chau**  
Tel. +86 (21) 2212 3206  
anthony.chau@kpmg.com

**Hangzhou**  
**John Wang**  
Tel. +86 (571) 2803 8088  
john.wang@kpmg.com

**Guangzhou**  
**Lilly Li**  
Tel. +86 (20) 3813 8999  
lilly.li@kpmg.com

**Fuzhou/Xiamen**  
**Maria Mei**  
Tel. +86 (592) 2150 807  
maria.mei@kpmg.com

**Shenzhen**  
**Eileen Sun**  
Tel. +86 (755) 2547 1188  
eileen.gh.sun@kpmg.com

**Hong Kong**  
**Karmen Yeung**  
Tel. +852 2143 8753  
karmen.yeung@kpmg.com

## Northern Region

**Vincent Pang**  
Head of Tax,  
Northern Region  
Tel. +86 (10) 8508 7516  
+86 (532) 8907 1728  
vincent.pang@kpmg.com

**Cheng Chi**  
Tel. +86 (10) 8508 7606  
cheng.chi@kpmg.com

**Conrad TURLEY**  
Tel. +86 (10) 8508 7513  
conrad.turley@kpmg.com

**Yali Chen**  
Tel. +86 (10) 8508 3036  
yali.chen@kpmg.com

**Milano Fang**  
Tel. +86 (532) 8907 1724  
milano.fang@kpmg.com

**Tony Feng**  
Tel. +86 (10) 8508 7531  
tony.feng@kpmg.com

**Flora Fan**  
Tel. +86 (10) 8508 7611  
flora.fan@kpmg.com

**John Gu**  
Tel. +86 (10) 8508 7095  
john.gu@kpmg.com

**Rachel Guan**  
Tel. +86 (10) 8508 7613  
rachel.guan@kpmg.com

**Helen Han**  
Tel. +86 (10) 8508 7627  
h.han@kpmg.com

**Michael Wong**  
Tel. +86 (10) 8508 7085  
michael.wong@kpmg.com

**Henry Kim**  
Tel. +86 (10) 8508 5000  
henry.kim@kpmg.com

**David Ling**  
Tel. +86 (10) 8508 7083  
david.ling@kpmg.com

**Lisa Li**  
Tel. +86 (10) 8508 7638  
lisa.li@kpmg.com

**Lucia Liu**  
Tel. +86 (10) 8508 7570  
lucia.jj.liu@kpmg.com

**Alan O'Connor**  
Tel. +86 (10) 8508 7521  
alan.oconnor@kpmg.com

**Shirley Shen**  
Tel. +86 (10) 8508 7586  
yinghua.shen@kpmg.com

**Joseph Tam**  
Tel. +86 (10) 8508 7605  
laiyi.tam@kpmg.com

**Joyce Tan**  
Tel. +86 (10) 8508 7666  
joyce.tan@kpmg.com

**Christopher Xing**  
Tel. +86 (10) 8508 7072  
christopher.xing@kpmg.com

**Kensuke MATSUDA**  
Tel. +86 (10) 8508 7034  
kensuke.matsuda@kpmg.com

**Irene Yan**  
Tel. +86 (10) 8508 7508  
irene.yan@kpmg.com

**Adams Yuan**  
Tel. +86 (10) 8508 7596  
adams.yuan@kpmg.com

**Jessie Zhang**  
Tel. +86 (10) 8508 7625  
jessie.j.zhang@kpmg.com

**Sheila Zhang**  
Tel. +86 (10) 8508 7507  
sheila.zhang@kpmg.com

**Tracey Zhang**  
Tel. +86 (10) 8508 7509  
tracy.h.zhang@kpmg.com

**Eric Zhou**  
Tel. +86 (10) 8508 7610  
ec.zhou@kpmg.com

**Vivian Zhou**  
Tel. +86 (10) 8508 3360  
v.zhou@kpmg.com

**Carol Cheng**  
Tel. +86 (10) 8508 7644  
carol.y.cheng@kpmg.com

**Ally Mi**  
Tel. +86 (10) 8508 7583  
ally.mi@kpmg.com

**Kenny Wang**  
Tel. +86 (10) 8508 7655  
kenny.wang@kpmg.com

**Fiona Yu**  
Tel. +86 (10) 8508 7663  
fiona.yu@kpmg.com

**Lily Zhang**  
Tel. +86 (10) 8508 7545  
lily.l.zhang@kpmg.com

**Eric Zhao**  
Tel. +86 (10) 8508 7493  
eric.zhao@kpmg.com

**Laura Xu**  
Tel. +86 (532) 8907 1731  
laura.xu@kpmg.com

## Eastern and Western Region

**Anthony Chau**  
Head of Tax,  
Eastern & Western Region  
Tel. +86 (21) 2212 3206  
anthony.chau@kpmg.com

**Johnny Deng**  
Tel. +86 (21) 2212 3457  
johnny.deng@kpmg.com

**Cheng Dong**  
Tel. +86 (21) 2212 3410  
cheng.dong@kpmg.com

**Chris Ge**  
Tel. +86 (21) 2212 3083  
chris.ge@kpmg.com

**Chris Ho**  
Tel. +86 (21) 2212 3406  
chris.ho@kpmg.com

**Henry Wong**  
Tel. +86 (21) 2212 3380  
henry.wong@kpmg.com

**Jason Jiang**  
Tel. +86 (21) 2212 3527  
jason.jt.jiang@kpmg.com

**Sunny Leung**  
Tel. +86 (21) 2212 3488  
sunny.leung@kpmg.com

**Michael Li**  
Tel. +86 (21) 2212 3463  
michael.y.li@kpmg.com

**Karen Lin**  
Tel. +86 (21) 2212 4169  
karen.w.lin@kpmg.com

**Benjamin Lu**  
Tel. +86 (21) 2212 3462  
benjamin.lu@kpmg.com

**Christopher Mak**  
Tel. +86 (21) 2212 3409  
christopher.mak@kpmg.com

**Naoko Hirasawa**  
Tel. +86 (21) 2212 3098  
naoko.hirasawa@kpmg.com

**Ruqiang Pan**  
Tel. +86 (21) 2212 3118  
ruqiang.pan@kpmg.com

**Amy Rao**  
Tel. +86 (21) 2212 3208  
amy.rao@kpmg.com

**Wayne Tan**  
Tel. +86 (28) 8673 3915  
wayne.tan@kpmg.com

**Tanya Tang**  
Tel. +86 (25) 8691 2850  
tanya.tang@kpmg.com

**Rachel Tao**  
Tel. +86 (21) 2212 3473  
rachel.tao@kpmg.com

**Janet Wang**  
Tel. +86 (21) 2212 3302  
janet.z.wang@kpmg.com

**John Wang**  
Tel. +86 (571) 2803 8088  
john.wang@kpmg.com

**Mimi Wang**  
Tel. +86 (21) 2212 3250  
mimi.wang@kpmg.com

**Jennifer Weng**  
Tel. +86 (21) 2212 3431  
jennifer.weng@kpmg.com

**Grace Xie**  
Tel. +86 (21) 2212 3422  
grace.xie@kpmg.com

**Bruce Xu**  
Tel. +86 (21) 2212 3396  
bruce.xu@kpmg.com

**Jie Xu**  
Tel. +86 (21) 2212 3678  
jie.xu@kpmg.com

**Robert Xu**  
Tel. +86 (21) 2212 3124  
robert.xu@kpmg.com

**Jason Yu**  
Tel. +86 (21) 2212 3316  
jim.yu@kpmg.com

**William Zhang**  
Tel. +86 (21) 2212 3415  
william.zhang@kpmg.com

**Hanson Zhou**  
Tel. +86 (21) 2212 3318  
hanson.zhou@kpmg.com

**Michelle Zhou**  
Tel. +86 (21) 2212 3458  
michelle.b.zhou@kpmg.com

**Eric Zhang**  
Tel. +86 (21) 2212 3398  
eric.zhang@kpmg.com

**Kevin Zhu**  
Tel. +86 (21) 2212 3346  
kevin.x.zhu@kpmg.com

**Leon Shao**  
Tel. +86 (21) 2212 3622  
leon.shao@kpmg.com

**Joyce Wang**  
Tel. +86 (21) 2212 3387  
joyce.t.wang@kpmg.com

**Robin Xiao**  
Tel. +86 (21) 2212 3273  
robin.xiao@kpmg.com

**Ellen Yan**  
Tel. +86 (21) 2212 3484  
ellen.yan@kpmg.com

**Tim Zeng**  
Tel. +86 (21) 2212 3759  
tim.zeng@kpmg.com

## Southern Region

**Lilly Li**  
Head of Tax,  
Southern Region  
Tel. +86 (20) 3813 8999  
lilly.li@kpmg.com

**Vivian Chen**  
Tel. +86 (755) 2547 1198  
vivian.w.chen@kpmg.com

**Nicole Cao**  
Tel. +86 (20) 3813 8619  
nicole.cao@kpmg.com

**Felix Feng**  
Tel. +86 (20) 3813 7060  
felix.feng@kpmg.com

**Ricky Gu**  
Tel. +86 (20) 3813 8620  
ricky.gu@kpmg.com

**Fiona He**  
Tel. +86 (20) 3813 8623  
fiona.he@kpmg.com

**Aileen Jiang**  
Tel. +86 (755) 2547 1163  
aileen.jiang@kpmg.com

**Cloris Li**  
Tel. +86 (20) 3813 8829  
cloris.li@kpmg.com

**Jean Li**  
Tel. +86 (755) 2547 1128  
jean.j.li@kpmg.com

**Sisi Li**  
Tel. +86 (20) 3813 8887  
sisi.li@kpmg.com

**Mabel Li**  
Tel. +86 (755) 2547 1164  
mabel.li@kpmg.com

**Kelly Liao**  
Tel. +86 (20) 3813 8668  
kelly.liao@kpmg.com

**Patrick Lu**  
Tel. +86 (755) 2547 1187  
patrick.c.lu@kpmg.com

**Grace Luo**  
Tel. +86 (20) 3813 8609  
grace.luo@kpmg.com

**Ling Lin**  
Tel. +86 (755) 2547 1170  
ling.lin@kpmg.com

**Maria Mei**  
Tel. +86 (592) 2150 807  
maria.mei@kpmg.com

**Chris Xiao**  
Tel. +86 (755) 3813 8630  
chris.xiao@kpmg.com

**Eileen Sun**  
Tel. +86 (755) 2547 1188  
eileen.gh.sun@kpmg.com

**Koko Tang**  
Tel. +86 (755) 2547 4180  
koko.tang@kpmg.com

**Bin Yang**  
Tel. +86 (20) 3813 8605  
bin.yang@kpmg.com

**Lixin Zeng**  
Tel. +86 (20) 3813 8812  
lixin.zeng@kpmg.com

**Nicole Zhang**  
Tel. +86 (20) 3813 8644  
nicole.ll.zhang@kpmg.com

**Bruce Liu**  
Tel. +86 (20) 3813 8636  
bruce.liu@kpmg.com

**Sophie Lu**  
Tel. +86 (20) 2547 1141  
ss.lu@kpmg.com

**Fiona Wu**  
Tel. +86 (20) 3813 8606  
fiona.wu@kpmg.com

**Philip Xia**  
Tel. +86 (20) 3813 8674  
philip.xia@kpmg.com

## Hong Kong

**Curtis Ng**  
Head of Tax, Hong Kong  
Tel. +852 2143 8709  
curtis.ng@kpmg.com

**Ayesha M. Lau**  
Tel. +852 2826 7165  
ayasha.lau@kpmg.com

**Darren Bowdern**  
Tel. +852 2826 7166  
darren.bowdern@kpmg.com

**Yvette Chan**  
Tel. +852 2847 5108  
yvette.chan@kpmg.com

**Lu Chen**  
Tel. +852 2143 8777  
lu.l.chen@kpmg.com

**Patrick Cheung**  
Tel. +852 3927 4602  
patrick.p.cheung@kpmg.com

**Wade Wagatsuma**  
Tel. +852 2685 7806  
wade.wagatsuma@kpmg.com

**Natalie To**  
Tel. +852 2143 8509  
natalie.to@kpmg.com

**Elizabeth DE LA CRUZ**  
Tel. +852 2826 8071  
elizabeth.delacruz@kpmg.com

**Matthew Fenwick**  
Tel. +852 2143 8761  
matthew.fenwick@kpmg.com

**Sandy Fung**  
Tel. +852 2143 8821  
sandy.fung@kpmg.com

**Charles Kinsley**  
Tel. +852 2826 8070  
charles.kinsley@kpmg.com

**Stanley Ho**  
Tel. +852 2826 7296  
stanley.ho@kpmg.com

**Becky Wong**  
Tel. +852 2978 8271  
becky.wong@kpmg.com

**Barbara Forrest**  
Tel. +852 2978 8941  
barbara.forrest@kpmg.com

**Kate Lai**  
Tel. +852 2978 8942  
kate.lai@kpmg.com

**Travis Lee**  
Tel. +852 2143 8524  
travis.lee@kpmg.com

**Irene Lee**  
Tel. +852 2685 7372  
irene.lee@kpmg.com

**Alice Leung**  
Tel. +852 2143 8711  
alice.leung@kpmg.com

**Ivor Morris**  
Tel. +852 2847 5092  
ivor.morris@kpmg.com

**Benjamin Pong**  
Tel. +852 2143 8525  
benjamin.pong@kpmg.com

**Malcolm Prebble**  
Tel. +852 2684 7472  
malcolm.j.prebble@kpmg.com

**David Siew**  
Tel. +852 2143 8785  
david.siew@kpmg.com

**Murray Sarelius**  
Tel. +852 3927 5671  
murray.sarelius@kpmg.com

**John Timpany**  
Tel. +852 2143 8790  
john.timpany@kpmg.com

**Lachlan Wolfers**  
Tel. +852 2685 7791  
lachlan.wolfers@kpmg.com

**Daniel Hui**  
Tel. +852 2685 7815  
daniel.hui@kpmg.com

**Karmen Yeung**  
Tel. +852 2143 8753  
karmen.yeung@kpmg.com

**Adam Zhong**  
Tel. +852 2685 7559  
adam.zhong@kpmg.com

**Eva Chow**  
Tel. +852 2685 7454  
eva.chow@kpmg.com

**Alexander ZEGERS**  
Tel. +852 2143 8796  
zegers.alexander@kpmg.com

**Gabriel Ho**  
Tel. +852 3927 5570  
gabriel.ho@kpmg.com

**Vivian Tu**  
Tel. +852 2913 2578  
vivian.l.tu@kpmg.com