



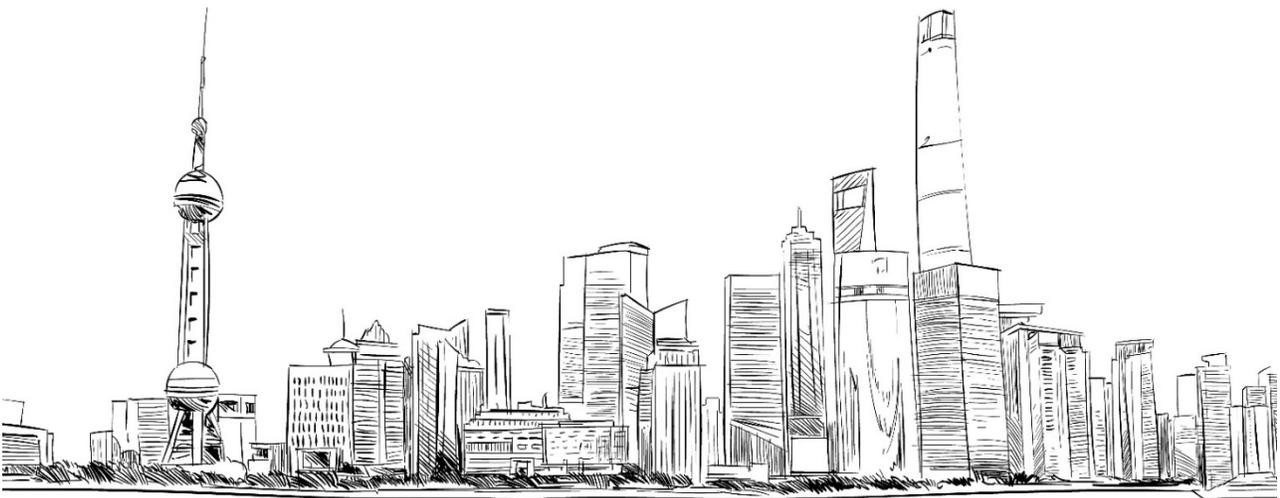
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November 11, 2019

Shipping to China for Cross Border eCommerce

Part 1: Can I ship my products to China and if yes, how?

Prepared by:
Woodburn Accountants & Advisors



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Woodburn Management Consulting (Shanghai) Company Limited
47/F Hong Kong New World Tower, 300 Huaihai Zhong Road, Shanghai 200021, China
T: +86 21 5116 2893
E: info@woodburnglobal.com
W: woodburnglobal.com



What is Cross Border eCommerce?

The current Cross Border eCommerce regime, initially launched in 2014, permits overseas sellers to sell consumer goods directly to Chinese consumers through certain registered e-commerce platforms (e.g., Tmall.hk, JD.com). The qualifying products can be imported into China on an expedited basis at reduced import tax rates, as compared to the goods imported through the ordinary import channel. The products are either shipped from overseas or stored in a bonded warehouse in China. Aside from the benefits that have already been made available and will continue to apply, the New Cross Border eCommerce Regulations issued Jan 1 2019 create certain new benefits to strengthen the incentives to purchase through the CBE channel.

It is important to note that a core part of the cross-border model is that the platforms are connected with the Chinese customs. This is needed for orders to be registered and tracked digitally. Before the package can be sent, the Chinese customs need information about the following:

- The shipment
- The payment
- The order

A question many people ask is also whether you need to register with the CIQ (China Inspection Quarantine Bureau) when shipping cross border. The answer is that it depends - With the B2C direct shipping model and the bonded warehouse model, your goods need CIQ clearance. The personal parcel route (e.g. China Post, Royal Mail) and EMS do not need CIQ clearance.

Why have these new regulations come about?

Looking back just some years ago, the Chinese eCommerce market was not as mature and buyers often turned to grey sales channels, like Daigou, often buying products smuggled into China. The Chinese government could hardly track all the goods that entered China at the same time as it lost a lot of tax revenue. The smuggling and imports through grey channels still exist, therefore the new regulations as of Jan 1, 2019 are trying to control these grey sales channels.

The Positive List

The "Positive List" on "Cross-Border E-Commerce of Imported Commodities at Retail" (hereinafter referred to as the positive list) was first released on April 7, 2016 by 11 China government departments, including 1,142 commodity categories. A supplementary "Positive List" was promulgated on April 15, 2016, adding 151 more commodity categories to the list. The list was updated again in 2018, taking the total to 1,321 categories.



What are the current benefits if my product is on the "Positive List"?

- Your product will enjoy a preferential tax rate (including a 30% reduction on VAT) as long as transactional value does not exceed RMB 5,000 per transaction or RMB 26,000 per year.
- You can import listed products into China via either the bonded zone model or direct shipping model without applying for an import license or other import certificates.

When entering the bonded zone, the customs clearance form of online bonded commodities will be checked in accordance with traditional commodities, and it will be exempted when leaving the bonded zone.

When will the special registration with cosmetics and baby formulas come to effect?

The "Positive List" required special registration, special licenses or filings under PRC law for first-time imported cosmetics, baby formula, medical equipment and special food products (including healthcare food products), but this registration requirement has been postponed several times, and as of 2019 has now been indefinitely postponed.

What if my product is not on the "Positive List"?

Don't worry, because your products can still be shipped directly from overseas to China via the postal and courier mode. Keep in mind that by adapting to postal and courier models, you may expect higher tax rates and more time on customs clearance and other procedures.

If I can ship my products then who handles currency conversion when conducting cross-border trade with China and who handles the customs clearance?

With the rise of Alipay and WeChat Payment, there are now two clear alternatives: Alipay cross-border and WeChat Payment cross-border. During the customs clearance procedure, the importer will have to complete the following formalities

- Customs registration
- Commodity inspection (inclusive of animal and plant inspection and quarantine)
- Customs declaration
- Documents submission
- Examination
- Payment of taxes and other fees



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- Release
- Foreign exchange control

In order for the customs to be cleared, the vendor also have to provide the personal information of the buyers:

- Legal name
- Chinese ID number

Most companies will leverage the help of third-party logistic providers in order to ship their products to China. The logistic provider will handle the custom clearance process and help to pay the appropriate taxes when shipping your products to China.

Continue to Part 2 for understanding the various cross-border eCommerce business models.

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