Analysis of the Impact of the New Tax Reform on Cross-Border E-Commerce Retail Import Enterprises

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Abstract: In order to regulate the development of the cross-border e-commerce industry, the State General Administration of Customs and the State Administration of Taxation issued a new policy on April 8, 2016 to abolish the provisions of cross-border e-commerce items based on postal tax, and uniformly pay customs duties and value-added value based on imported goods, tax and consumption tax. This also means that the state has gradually begun to shift from the principle of encouragement and promotion to the standardization and promotion of the cross-border e-commerce industry. Based on this, this article elaborates on the impact and countermeasures of the new tax reform on cross-border e-commerce retail import companies.

Keywords: New Tax Reform; Cross-Border E-Commerce Retail Import Enterprises; Impact; Countermeasures

In order to regulate the development of the cross-border e-commerce industry, the State General Administration of Customs and the State Administration of Taxation issued a new policy on April 8, 2016 to abolish the regulations on cross-border e-commerce items subject to postal tax, and uniformly pay customs duties, value-added tax and sale tax. This also means that the state has gradually begun to shift from the principle of encouragement and promotion to the standardization and promotion of the cross-border e-commerce industry. Regarding new policy of the State Administration of Taxation this time for the cross-border import e-commerce retail import industry, the main content is to increase taxes to achieve fair tax burden, and at the same time affirm the existence of the cross-border e-commerce industry and give corresponding industry regulations, which is conducive to the national promotion of cross-border e-commerce. However, the impact of the new tax reform on cross-border import e-commerce has caused companies to optimize and adjust many details. Therefore, how cross-border e-commerce companies deal with the impact of tax reform on their operations is worthy of in-depth study.

1. The significance of the implementation of the new tax reform

1.1 Promote the normal return of national taxes

Under the original taxation system, all cross-border e-commerce retail trade products only need to pay postal tax, but the object of postal tax is actually cross-border e-commerce products of “personal use and reasonable quantity”, which are non-trade. However, cross-border e-commerce retail trade itself is a kind of trade activity. Although its products are imported through postal channels, the quantity, type, and purpose of imports are all based on trade. Due to the loopholes in the postal tax policy, these cross-border e-commerce companies can use gray taxation to carry out large-scale tax evasion, causing a large amount of tax loss to the country. At the same time, this kind of tax-free entry...
has prompted cross-border e-commerce companies to split orders, brush orders, and distribute goods to avoid taxes and fees. In response to this situation, in order to regulate the legal and orderly payment of e-commerce, the new tax system stipulates that the tariff rate within the limit is temporarily set at 0%; the import value-added tax and consumption tax exemptions are cancelled, and the tax is levied at 70% of the legal standard.

1.2 Improve customs clearance efficiency and reduce supervision costs

The fast-growing cross-border e-commerce has achieved continuous and rapid expansion with new business models, but it has brought huge regulatory pressure to the customs supervision department. While the workload and supervision difficulty continue to increase, the efficiency of customs clearance continues to decline. As a result, the transaction and transportation time of cross-border e-commerce commodities has become longer. In addition, for multi-variety, scattered, and small-package shipping, it has always been one of the important ways for counterfeit and inferior products to enter the country, but the customs has always had great difficulties in inspecting these commodities. The new tax reform sets annual consumption limits for individual consumers, which can effectively curb the rapid growth of customs declarations. At the same time, the customs clearance of cross-border e-commerce retail imported goods in accordance with policy requirements and procedures will be more convenient and faster than before. The customs department can use the information system to quickly collect the logistics, payment, and transaction information of the goods, which greatly improves the efficiency of customs clearance. The waiting time from placing an order to receiving the goods can also be greatly shortened from the original one to two months to one to two weeks.

2. Analysis of the impact of the new tax reform on cross-border e-commerce retail import companies

2.1 Commodity prices are affected by tax rates and overall costs are bullish

The new cross-border e-commerce tax system imposes the following restrictions on the import of goods: If the goods imported by the cross-border e-commerce are within the limit, the tariff rate is temporarily set to zero, but 70% of the import value-added tax is required and consumption tax; if the price of the product exceeds the single limit of 2,000 yuan or the total annual limit exceeds the annual limit of 20,000 yuan, the full amount of tax on this product needs to be levied and calculated in accordance with the general trade method. According to the above calculation method, the transactions of maternal and infant products, food and other products sold by cross-border e-commerce retail import companies need to pay more taxes, and operating costs have increased[1].

2.2 Product categories are restricted by the “positive list”

If the new tax reform is aimed at tariffs and thus affects commodity prices, then the “positive list” is aimed at commodities and directly affects the scope of commodity categories. The list clarifies which products can be implemented in accordance with the tax reform regulations. Simply put, the products listed on the list can be calculated according to the tax system of cross-border e-commerce. The products not on the list need to be paid according to the tax system. Calculated by the general trade method, these commodities cannot enjoy the preferential policies of cross-border e-commerce. Therefore, the “positive list” is a refinement and supplement to the tax reform. After the positive list is officially released, it will provide the development of operations has had a great impact.

2.3 The advantages of bonded warehouses are gradually weakening

In my country’s bonded system, bonded warehouses are a very common form. The so-called bonded warehouses refer to warehouses set up to store uncompleted customs procedures or bonded goods after customs approval. After consumers place an order on the cross-border e-commerce platform, the platform will pick up the goods from the bonded warehouse and send it to the consumer. Before the implementation of the New Deal, goods shipped from bonded warehouses had the advantages of cheaper prices and shorter logistics cycles. After the implementation of the New Deal, the tax exemption allowance based on bonded warehouses was cancelled and no tariffs were imposed[2].
Consumption tax and value-added tax were levied at 70% of the amount. Tax, taxes and fees of each category in the bonded warehouse increased from 11.9% to 47%, and the advantages gradually weakened.

3. Countermeasures of cross-border e-commerce retail import enterprises under the new tax reform

3.1 Face up to the status quo of overseas supply chains and find effective breakthroughs

With the rapid development of cross-border e-commerce today, many large platforms still have many problems for the construction of overseas supply chains. The analysis shows that a large part of the products in cross-border overseas shopping are explosive products, such as diapers, milk powder, etc., but the suppliers of these explosive products have not provided a stable supply system for domestic e-commerce platforms, which has led to these large platforms have to find overseas individual buyers or agents, which makes transactions affected by many uncertain factors, which is not conducive to the further development of cross-border overseas shopping. Domestic cross-border e-commerce retail import companies should focus on the establishment of overseas supply chain teams, achieve efficient supply chain management and warehouse management, and conduct closer cooperation with suppliers of major overseas brands to fully ensure that the supply of goods is stable and reliable. In addition, we must continue to expand the supply channels so that we can gain the initiative in the negotiation, continuously reduce the price of the goods, obtain more profits, and promote the continuous improvement of the core value of the company.

3.2 Explore a personalized development route

With the continuous development of my country’s economy, consumers’ spending power has been greatly improved, and the demand for products is also developing in a diversified and personalized direction. The so-called personalization refers to the comprehensive innovation of products from appearance to quality, function, and service. Personalization is the life of a product and also the life of an enterprise. Therefore, cross-border e-commerce companies must conduct analysis and research on international and domestic market product information and consumer demand information at any time, select the correct points, and create in a timely manner personalized products that conform to the market orientation and are distinctive, and combine them with their own characteristics. Promotional activities allow consumers to know me, recognize me, recognize me, break out of the long-standing “explosive product” cycle of homogenization of cross-border e-commerce, and make themselves bigger and stronger.

3.3 Switch to direct mail and overseas warehouse model

In the face of the New Deal, more companies entering the e-commerce industry need to adjust their business models. For products with low value and not on the list, overseas direct mail is a way out, and the postal tax still retains the 50 yuan tax exemption. Therefore, both tax cost analysis of various commodities and optimization of product structure have become crucial, and direct mail is also a major test for the layout of cross-border e-commerce supply chains. Li Liang, deputy general manager of Suning International E-commerce Operation Center, said that the company will adjust the existing cross-border operation model, not to stock up for bonded goods, but to ship directly from overseas according to the needs of consumers. Whether it is self-built warehouses or a cooperative approach, from the perspective of future development, it is definitely necessary to deploy overseas warehouses and direct mail. In general, direct mail mode also needs to be linked with overseas warehouses.

4. Conclusion

The tax reform has indeed had a considerable impact on the entire cross-border import retail e-commerce industry, and even led to a reshuffle of the entire industry, but it is undeniable that the new tax reform has created a more fair and competitive market environment. Although cross-border e-commerce has achieved rapid development by relying on policy dividends, for cross-border e-commerce, the advantage of tax rate is obviously not the core competitiveness, and
it is all cross-border e-commerce to improve circulation efficiency and innovation mode by using the essence of e-commerce.

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