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E-COMMERCE

E-TAILERS NOT SEEN HARD HIT BY IMPORT TARIFF CUTS

Online platforms keep their lead over conventional shops for now thanks to range on offer and convenience despite drop in taxes on selected goods

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With greater varieties, convenience and lower prices, the mainland's booming cross-border e-tailers are likely to be less hard hit by the latest import tariff cuts, keeping their lead over conventional traders. At least for a while, according to analysts.

Even though working in their favour is the increasing importance that Chinese consumers place on available options and ease of shopping, Chen Tao, a senior analyst at Beijing-based consultancy Analysys, said the cuts essentially narrow the tax gap with their offline rivals. E-commerce platforms have partially been exempted from import tariffs.

From December 1, the average tariff on 187 consumer goods – from baby diapers to ski equipment – will be lowered to 7.7 per cent from 17.3 per cent. At present, imports are subject to three types of taxes – tariff, consumption tax, and value-added tax.

On cross-border e-commerce channels, import tariffs are not levied until a single order is above 2,000 yuan (HK$2,364), or the accumulated annual expenditures are more than 20,000 yuan. They also enjoy a 30 per cent discount on consumption tax and VAT. The policy has been in place since April 2016 to support the new economy.

"The latest cut indicates regulators are moving towards a more aligned and unified tax regime on different forms of trades," Chen said. "But we expect the hit to be limited because e-commerce platforms can still play up their edges in [providing the] varieties and convenience to shop."

Bargain hunting was no longer the sole reason for consumers to shop online, he said.

Eric Xu, an analyst at market research firm Kantar Retail, also noted that cross-border platforms could still offer more competitive prices over their offline rivals, despite the tariff cuts.

"It's still unclear how fast the tariff cuts can be translated into an ultimate price drop at conventional channels," Xu said. "It's also worth mentioning that cross-border e-commerce players still have an upper hand in lower taxes on consumption tax and VAT."

Fast and timely delivery and responding to consumers' needs were other advantages, he added.

This was the kind of efficiency showed during shopping bonanzas like Singles' Day, where the e-commerce platforms had suppliers waiting at bonded warehouses, ready to deliver goods to shoppers quickly, he said.

In addition to the mass market segment, the mainland's e-commerce majors – including Alibaba Group Holding, NetEase, JD.com and Suning Commerce Group, have also expanded their platforms to cater to affluent shoppers who want hassle-free shopping for better quality imported goods. Alibaba owns the *South China Morning Post*.

Cross-border e-commerce spending on the mainland are expected to reach 1.85 trillion yuan this year, up 54 per cent from a year ago, according to the China Electronic Commerce Research Centre.

An employee scans small parcels at a JD.com logistics centre in Hebei province. Photo: Reuters