

## ChemLinked Cosmetic Portal Webinar

### How to Enter the Chinese Market via Cross Border E-commerce

March 20, 2019

## Q&A Collection

Dear attendees,

We thank you for participating our webinar on Chinese cosmetic regulations. Here are the answers based on questions from the webinar, we hope this documentation will help you better understand the cosmetic compliance tasks.

If you have any further questions or consulting needs, please feel free to contact ChemLinked: [cosmetic@chemlinked.com](mailto:cosmetic@chemlinked.com)

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## “Positive list”

Q1. Regarding the new 63 categories added to the positive list this year, we are aware that there are no changes on the cosmetic field, but would it be possible to have a list of the 63 new ones in English? Or the TARIC code name would be enough to identify the changes.

A1: Sorry, we don't have a complete translated list of 63 new categories, but we have a food list which indicates the changed food products.

Q2. I have a question related to the cosmetic ingredients when entering in China through e-commerce: has they to be according to the Chinese regulations? For example, the ingredients must be listed in IECIC 2015?

A2: Cosmetic products entering China via cross-border e-commerce are regarded as personal articles, thus the ingredients do not need to comply with Chinese regulations. Even if the ingredient is not listed in IECIC 2015, the product can still be imported through CBEC channel.

Q3. Products that are listed on the positive list will be regulated as personal articles and avoid animal testing/registration requirements. This is for only cross-border ecommerce sales, however, not for products sold in the China domestic market (brick and mortar), it is right?

A3: Yes. Only products entering China via CBEC channel will be regarded as personal articles, exempt from animal testing and registration/filing requirements.

## “Taxation”

Q4. As explained, the amounts for tax-free cross-border purchase have been increased, within these limits, we understand that the import tariff is zero and the consumer tax and import VAT will be collected at the 70% of the rate. Could you explain in detail these last two taxes and how would they be collected from the customer? For amounts exceeding these limits, I understand import tariff would depend on the category and import VAT and consumer tax applied fully, right?

A4 (1): The VAT rate is 13% and applies to all cosmetics while the consumption is 0% for

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ordinary cosmetics and 15% for high-end cosmetics.

A4 (2): Yes. For amounts exceeding these limits, the product will be subject to full tax, which is a sum of tariffs, VAT and consumption tax.

Q5. Is there any general annual amount selling limits for companies in cross-border e-commerce?

A5: No. There only sets limits for consumers.

## “Labeling/Claim”

Q6. Despite is not necessary for cross border products to have the labelling in Chinese, we have seen that companies shall send the e-label to the platform so that the customers can have access to it. This e-label:

- (1) Has to be in Chinese or English would be ok? Is there any defined format/template for that? Can it just include the translated information provided in the label of the country of origin or should it include any other details defined by the Chinese regulation regarding labeling of this product?
- (2) Is it compulsory to provide it?

A6 (1): The e-label shall be in Chinese and currently there is no defined format or template. It is also unclear what content shall be indicated. Please stay tuned for us, we will keep you updated if there will be new rules.

A6 (2): At present there are no specific regulations of e-label. But according to the current practices on China’s CBEC platforms, almost all products have Chinese e-labels and instructions.

Q7. We’ve seen in the new regulation that cosmetics products can’t claim any “medical uses/effects” on their product information or marketing. How is it really affecting companies and implemented in cross border e-commerce?

A7: We found that currently Taobao and Tmall Global have banned the cosmetic products’ advertisements (including related titles, pictures or details on e-commerce platform) containing the words “Medicated cosmetics”, “Medical skin care products”, “EGF”, “human oligopeptide-1”. If illegal products are found being sold, punishments will include removal of the products, and deduction of a shops rating score.

Q8. For new CBEC policy, you mentioned about e-label to be on website. Do you have more information in details? For example:

- (1) Website refers to company/brand website, or selling page on CBEC?
- (2) What is the content requirement for e-labeling? Does it mean those labelling requirement applying to imported cosmetic via general route also applies? /Is it the same as the label on product imported via general route?

A8 (1): The website refers to the ordering page of products.

A8 (2): Currently there are no specific regulations of e-label and it is unclear what content shall be indicated. We will keep you updated if there will be new rules.

## “Food Safety”

Q9. In traditional trade, in order for a country to be able to export a food product, China must have signed a bilateral agreement/protocol with that country for that specific product. However, in CBEC legislation there is no mention of the country of origin of the goods. Does this mean that a company can export any food product within the positive list even if its country doesn't have a signed bilateral protocol for it?

A9: Yes. Bilateral agreement is not required for food products imported via CBEC channel.

Q10. To our understanding, the premise in CBEC is that consumers are given access to goods in a manner beyond the scope of the food safety law in China. However, we are aware that in the past certain Chinese authorities (CFDA, local FDA and courts) have not shared this interpretation and have stated that all imported food should comply with the Food Safety Law (specifically imported baby food and Chinese labels).

- a. Are there any updates on this situation?
- b. Can these conflicts still happen under the new CBEC legislation?

A10: We should realize that in principle there is no conflict between Food Safety Law and CBEC legislation. Product imported via CBEC is regarded as a personal commodity in China, which means that the consumers should bear the risk of product safety if they decide to purchase. Generally speaking, the product imported via CBEC is compliant in the country of origin, but it is hard to say whether it meets Chinese standards. Under such circumstance, consumers could freely choose the import channels, general trade or CBEC.

Q11. Is Infant Formula able to be sent via CBEC?

A11: Yes, it is.

Q12. Is there a limit on the volume that can be sold via CBEC?

A12: No, it isn't.

Q13. Can you confirm that an infant milk formula brand does NOT need Chinese label product for CBEC, as long as they have an online Chinese label for reference?

A13: Yes, Chinese product label is not required for infant formula imported via CBEC, but their e-label should be presented on the e-commerce platform.

### “Others”

Q14. Do you need to own your trademark before you can do anything on the China ecommerce market?

A14: Yes, when a brand entering an EC platform, the EC platform will ask brand to prove it's your brand, trademark registration is a solid proof.

Q15. What are the benefits of registering the product once you are already marketing it through the CBEC? You can make more publicity? You can fight better against counterfeit products?

A15: After filing/registration procedure, a brand can enter more channels like offline supermarkets or stores. General trade still requires registration.

Q16. What are the benefits to having the product registered by your official distributor?

A16: Official distributor can become a responsible entity to ensure product safety to end customer, plus authorized dealer can follow marketing strategy and pricing strategy set by brand to co-develop Chinese Market. Moreover, compared with CBEC channel, you can

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import more products and are available to all distribution channels if the product was registered.

Q17. We understand that is compulsory for the foreign brand to have the ICP registry, apart from that, what other specific registers are compulsory? I guess they are different if it's a non-commercial website or operational (selling).

A17: ICP is required for hosting a website in China, even non-commercial website still require an ICP, if the website is hosted in China. A foreign brand who don't have office in China can solve ICP with support from an Agent.

Q18. According to the point above and regarding the property of the brand, wechat channel and store as well as domain and Chinese ecommerce, we didn't get clear if a foreign entity would be able to register as owner themselves. Also what are possibilities to protect your brand against E-commerce platforms that directly import from other countries (ex. Kaola, Alibaba)?

A18: Yes, a foreign entity can register WeChat official account directly through Tencent. Register trademark in China is the first step, and if an unauthorized seller on EC platform impacts your brand image or price strategy, you can complain to EC platform customer service.

Q19. Is marketing activities such as website/magazine Ads, are allowed for products entering in China by E commerce? Why JD.com is mentioned as 2nd largest EC platform, where as other platforms don't have same level of users? Which is largest EC platform?

A19 (1): Yes. We suggest a brand to take some marketing activities on your own, not completely rely on your partner/distributor in China.

A19 (2): Taobao/Tmall is the largest. Size matters, but a brand should choose right platform for your brand based on size, user groups of each platform, purchasing power and marketing strategy of platform.