

New rule puts end to easy online profits

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People in Beijing who buy and sell online must apply for a business license and declare their earnings for tax purposes, the city government said on Thursday.

The Beijing Administration for Industry and Commerce (BAIC) said all corporate entities and individuals who do businesses online must register with the administration and pay taxes on their earnings from Aug 1.

Wang Jing, an official in charge of special trade with the BAIC, said such firms and individuals must provide the administration with their stores' names and IP addresses.

The BAIC will also hold website operators accountable for verifying the business licenses of online sellers, and business websites will be required to maintain transaction records for at least two years, he said.

Any firm or individual that fails to abide by the new regulations faces a fine of between 20,000 yuan (\$2,900) and 500,000 yuan, he said.

The rule does not apply to people who simply exchange personal items online, he said.

Online businesses, particularly those run by small-scale vendors and individuals, have long been exempted from business-related taxes, he said.

The aim of the new rule is to provide better regulation of operators' behavior and to prevent illegal activities, not to kill the booming online trade, Wang said.

Last year, the BAIC received 323 complaints relating to e-commerce, up 29 percent on 2006. Most of them were about late delivery, inferior quality products and fraud, he said.

One small online business owner in Beijing, known only as Doudou, said she will be forced to close down the T-shirt store she runs via Taobao.com, the country's biggest e-commerce site.

She said she will be unable to survive on the small profits she makes if she has to become an "official" business, and will instead try to sell off her stock before the Aug 1 deadline.

He Dayong, who operates an online business from Beijing's Dongcheng district, however, said he has been researching his market for months and welcomes the new rule, as it will help eliminate unscrupulous traders.

But Lu Bowang, an expert in e-commerce, said the rule will be hard to put into practice.

"How can you get tens of thousands of operators to register? They will simply move their businesses elsewhere."

A regional regulation cannot and should not be used to control the boundless online market, he said.

Source:China Daily



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