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1. Background and Motivation of the Research

1.1 Background of the Research

The development of cross-border e-commerce brought in new types of transactions where people in different countries can really shop globally. These forms of trades raise the consideration of tax liabilities from multiple countries for each transaction. International tax scholars have analysed tax issues involving multiple countries for a long time (Goolsbee, 2000), as each country has different international tax rules. There are also international corporations, where governments saw the need for multilateral tax treaties and model tax frameworks to be developed. Most of the research or policies focus on jurisdiction issues based on the taxpayer, that is, whether the taxpayer is a resident of the country (Mutti&Grubert, 1985).

When online transactions are conducted in different countries by using information and communication technology, it is identified as cross-border e-commerce (Asosheh, Shahidi-Nejad&Khodkari, 2012). The development of the Internet has revolutionised international commercial activities and facilitates online cross border transactions. To integrate the activities between suppliers and consumers along the logistics value chain, cross border e-commerce is a business to customer process.

According to Erickson (2015), in 2014, the global business to customer cross-border e-commerce market's volume had reached over $230 billion, with a growth to approximately $1 trillion by the year of 2020. On the other hand, cross-border transactions on the e-commerce platform had brought challenges to the current international tax system. To respond to these challenges, tax authorities in the United States, Australia, China and many other countries have commissioned analysis on the taxation of e-commerce (Li, 2003).

This paper is the summary of the first stage of the PhD program. The research selects China as the target country to analyse the cross-border transaction tax issues between China and Australia. As an emerging economy, China's cross-border e-commerce shopping market keeps expanding rapidly and is expected to reach a 7.5 trillion RMB volume in 2017 (Qu, Mao & Zhou, 2017).

In order to foster a fair and competitive market environment and to facilitate the development of cross-border e-commerce for retail imports, the tax authorities in China has issued a *Notice* in March 2016 to address the tax regulation for cross-border e-commerce imported retail goods. The new measures took effect on 8 April 2016.

1.2 Motivation of the Research

The tax community found the implementation and compliance of the laws are not effective in China (Hoontrakul, 2017). There are many kinds of tax avoidance and evasion by sellers, online shopping platforms, and consumers. The online trading mode has enabled completely globalised transactions, but tax jurisdictions need to identify the tax liability of its tax residents for revenue purposes. In other words, the occurrence of cross-border transactions makes it unclear which national law should be applied to which extent. The difficulties in capturing the location of the transaction parities by the tax authorities leaves with the gap to effectively apply international tax jurisdiction rules.

There is currently very little literature that focuses on analysing transaction based tax issues, especially when online shopping is concerned. Rather than analysing the jurisdiction rules for the purpose of further international taxation policy development, the research plans to summarise possible transaction types, and to identify the tax issues arising from each transaction point for the seller, consumer, and online selling platform parties within the flow of the transaction, and to calculate the proposed associated tax liabilities according to the law of the countries, finally to compare the actual tax being received with the proposed tax liability.

China is a leader in the online shopping industries and Australian products are sought after by Chinese consumers. Therefore, this research focuses on online shopping transactions involving China and Australia.

2. Literature Review

2.1 Introduction

One of the current cross-border transaction discussions in China is the challenges of taxing income for those transactions on electronic commerce (e-commerce) shopping platforms. This preliminary literature review focuses on three themes. Section 2 reviews the development of e-commerce and cross-border transactions in China. Section 3 analyses the legislation and literature on the worldwide responses to similar challenges where China could learn from. Section 4 is a preliminary analysis of the regulative material promulgated by the Chinese government as a response to the difficulties of taxing cross-border transactions on electronic platforms (e-platform). The media reports that the compliance and regulation with regards to the policy are still not effective (Eddie, 2016).

This review identifies a large gap in the literature: there is no discussion on the implementability and compliability of the body of international tax rules to the new cross-border e-commerce goods transactions.

2.2 Background of Electronic Commerce and Cross-border Transactions in China

Since 1993, Electronic commerce (e-commerce) has experienced rapid development through a series of golden projects undertaken by the Chinese government as the first step towards implementing e-commerce (Li& Suomi, 2006). According to the 35th Statistical Report on Internet Development in China (China Internet Network Information Center, 2014), the growth rate for online shoppers from 2010 to 2011was 20.8% while it increased by 50% annually for three consecutive years since 2008 to 2010. The preliminary literature search did not discover a more recent Statistical Report.

Kshetri (2017) stipulated in his article that in 2017, China is ranked as the largest e-commerce market in the world with the prediction to reach $1.6 trillion in 2019. Chinese e-commerce spending accounts for around 40% of global spending.

In 2016, there were more than 460 million digital buyers in China and the number projected to exceed 650 million by 2018(Anwar, 2017).According to Akter and Wamba (2016), it is predicted that the Chinese e-commerce market is going to be larger than those of the UK, Japan, Germany, the US, and France combined by 2020. It is also forecasted that China's e-commerce market growth rate will remain at around 27% annually over the next four years (Anwar, 2017).

Free Trade Agreement and Cross-border Transactions

The Chinese Government introduced the Free Trade Agreements (FTAs) as a new platform to further involve in global economic development and strengthen economic cooperation with other economies (Nguyen, 2016).Currently, China has signed and implemented Agreements with 14 countries(Malcolm,2017). For example, within China-Australia Free Trade Agreement, the provision (Australian Government: Department of Foreign Affairs and Trade, 2015) stated that "Upon full implementation of the agreement, 95% of Australian exports to China will be tariff free. These will include many agricultural products, including beef and dairy." Based on most terms within the Free Trade Agreements, the implementation of the Agreement has facilitated cross-border transactions.

It is worth noting that the Free Trade Agreement Framework is not a legislative response by countries to international tax issues arising out of cross-border e-commerce shopping transactions. This framework is a facilitator for the considerable growth in this sector (Nguyen, 2016).

Cross-border Transactions on E-Commerce Shopping Platform

Chinese consumers can purchase foreign products through the e-commerce channel, which is dominated by two major domestic enterprises, namely Alibaba's Taobao and JD.com, which account for 57% and 25% of the total e-commerce market share (Gulumbe& Rahman, 2017).

Cross-border transactions on the e-commerce platforms are increasing significantly. A recent research (Yue, Wu,& Yao, 2017) found that the volume of cross-border transactions in Guangzhou through e-platforms has increased by 150% from January to May in 2017, which is considered as a reflection of the prosperity of cross-border retail e-commerce in China.

Reasons for the Hot Demand from China for Foreign Products

Ferguson, Hendrischke, Dent and Li (2015) wrote a book about the Chinese export and import outlook, the booksuggested that health care products, infant supplies and local foods are the three most popular goods sold on the cross-border e-commerce platforms.The book also summarised the possible reasons of the hot demand from Chinese buyers. Firstly, with the improvement of living standards, people raise increasing awareness of their health and wellbeing, Chinese consumers have been turning their focus to high quality health care products. In 2008, six babies died and more than 3000 children fell ill from drinking the baby formula that had been contaminated with the toxic chemical melamine (Macartney, 2008). The formula manufacturer Sanlu Group used to be one of the oldest and most popular infant formula brands in China. Chinese consumers lost their trust in domestic dairy manufacturers, therefore turned to purchase imported formula. As claimed by Azam (2012), "China is facing a host of new health challenges, including an ageing population, changing diets, increasing prevalence of obesity and environmental problems".

The demand for high quality health care is constant, as reported by a paper which investigated the trade development between China and Australia (Xiang, Kuang, & Li, 2017), the share price of the a2 Milk Company hit a new record high of $3.13 thanks to the ballooning demand from Chinese consumers in April of 2017. Blackmores also priced it stock at $200 as the most expensive one on the ASX supporting by the strong purchasing power of Chinese consumers.

Another reason for the hot demand can be explained by the advertising and promotion of foreign products by "Daigou", which is a term representing the group of buying agents who buy things outside of China and ship the products to residents in mainland China (Bonetti, Perry, &Fernie, 2017).Martin's paper (2017) found that since 2014, the number of Daigous in Australia has doubled from 40,000 to around 80,000, those people sell the products to consumers on Chinese online platforms such as Taobao and Wechat.

Due to the online operation pattern, the transactions almost occur offshore in the bank accounts, leaving the difficulties for tax authorities to track. It is reported that the undeclared income is estimated to be $1 billion when takes into account of Australia's tax-free threshold (Cohn, 2017).

An article (Cohn, 2017) on global trade and investment reported that the predicted cross-border retail e-commerce transaction volume would increase to US $110.68 billion in 2017 with an increasing rate of 29.1%.

Conclusion

The literature in this section has identified the background and development of cross-border transactions on e-platforms in China.Thisresearch has raised attention on the tax loss resulted from the cross-border transactions. Most of this section's literature have mentioned the tax implication of the cross-border transactions while further analysis on the tax era is required.

2.3 International Responses to the Challenges of Taxing Cross-border Transactions

In this section, the research reviews the literature about the worldwide responses to the difficulties of taxing e-commerce activities. The suggestions from academia, the tax policy made by other countries and the suggestions concluded by the international organisations are regarded as important components contributing to the solution on taxing cross-border transactions.

A lot of scholars have come up with proposals trying to discuss and solve the challenges. According to Avi-Yonah (1997), it is suggested that the jurisdiction from the demand side where the consumer resides is required to impose a withholding tax on the income earned by the seller, and he focused on tightening the control over the payment point.

Professor Li (2003) introduced her proposal as to fix a formula for e-commerce taxation. Since the determination of tax base and tax residence are different among various jurisdictions, Doerenberg (2001) recommended a new approach to deal with tax base erosion.Rather than determining the particular tax residence of the buyer or seller within the e-commerce transactions, Sweet (1998) suggested an exclusive residence taxation method for the taxable income.

The research also reviewed the policy (Azam, 2012) made by Australia, Canada, and the US to respond to the tax challenges. These three countries all adopt some adjustments to their current law and regulation on e-commerce to achieve more efficient tax administration and collection, the government authorities have applied increasing use of technology.

The OECD countries have also discussed the solutions in its Ottawa Conference in 1998, they created guidelines to apply the broad taxation rules to electronic commerce. According to Azam (2012), "The OECD guidelines and experience on the application of the permanent establishment rule[1] to e-commerce could contribute a lot to the application of the Chinese Establishment or Site rule to e-commerce."

Preliminary literature review of OECD responses to challenges on taxing cross-border transactions included multiple publications on international tax issues regarding corporate tax base erosion and transfer pricing rules applicable to internet companies such as Apple and Google, and the application of permanent establishment rules to e-commerce.

These publications would be treated as data in the textual analysis of secondary material on the international response to taxing cross-border e-commerce transactions. More publications will be added to this list during the research process.

2.3 Chinese Responses to the Challenges of Taxing Cross-border Transactions

For a time, the Chinese government encouraged cross-border e-commerce transactions (Teo& Liu, 2007), but the growth of the sector led to the discovery of a significant tax loss.

Existing Considerations in China in relation to Cross-border Goods Transactions

Commonly based on jurisdiction and territory, a government's tax authority now faces challenges of collecting taxes through e-commerce channels. Basu (2007) summarised the main challenges as:

[1]Author's note, permanent establishment is a legal term referring to a significant presence of a company in a country.

> "E-commerce makes the concepts of permanent establishment (to determine location of manufacture), point of sale (for the application of relevant tax rates), income classification (based on source of income), product classification (for preferred tax rates), etc. difficult to apply."

It is common for countries to apply similar jurisdiction rules to tax income and consumption based on residence or source (Holmes, 2017), but the two concepts seemed to become "more elusive" on the e-commerce platform. Another common way the tax is avoided is that individuals will use the opportunity in the context of e-commerce to move their income from the high tax jurisdictions to lower tax jurisdiction with the assumption that the taxpayer is recognised as the resident of such a jurisdiction.

"The PRC chooses to use residence and source as the basis for determining sufficient connection for its tax jurisdiction. Therefore there are two types of taxpayers according to jurisdiction – the resident and non-resident taxpayers." (Huang, 2016, pp22-24).

In order to better manage the e-commerce market and create a more orderly system, the Chinese government issued a *Notice*[2]on regulations of the imported retail goods through cross-border transactions.

Summary of the Notice

This part reviews the current regulation promulgated by the Chinese government as a response to the complexities of taxing cross-border transactionson e-platforms.

On the 24th of March 2016, the Ministry of Finance, General Administration of Customs, and State Administration of Taxation in China issued the*Notice on Tax Policies for Cross-border E-commerce Retail Imports 2016*, with the aim to foster a fair and healthy market environment and to promote the regulation of cross-border transactions on e-commerce platforms. The Notice has identified that tariffs, value added tax (VAT) and consumption tax are the three categories of taxes to be imposed on the imported goods. The individuals who purchased the imported goods on the cross-border online platform are defined as tax payers, and the actual transaction price (consisting of retail price, freight and insurance premium) is counted as dutiable value. The e-commerce companies or logistics companies had the obligation to collect and withhold the tax. Before the issue of the Notice, the government gives a tax exemption threshold for the taxes on imported goods of RMB 2,000 per single transaction, and RMB 20,000 for annual accumulation.

[2] A *Notice* is part of the body of law in China.

The Notice took effect since 08/04/2016, the changes included:

Restructure of tax categories

Before the new policy, the tax authority charged consumers “personal postal articles tax.” The term does not belong to any particular tax category, but is the merger of three types of taxes on imported goods, which includes tariff, value added tax, and consumption tax.

After the issue of the Notice, the term of “personal postal articles tax” did not exist, and the three types of taxes will be treated separately.

Adjustment of tax exemption threshold and tax rates

Tariff

Before the reform, if an individual’s single or annual transaction did not exceed the tax exemption threshold amount, the applicable tax rate for the personal postal articles tax is 0%.

The *Notice* had promulgated that the rate for tariff remained at 0% within the tax exemption threshold.

Before the *Notice*, there were four rate levels applying to different products for personal postal articles -- 10%, 20%, 30%, and 50% respectively.

After the reform, if the annual or single transaction amount exceeds the tax exemption threshold, the authority adjusted the tariff rate on certain products, such as the tariff rate for imported baby formula has increased from 10% to 15%, the tariff rate for imported cosmetic products has increased from 50% to 60%, and the highest tariff rate applied to those luxury products like watches, branded suitcases, and jewellery.

Value Added Tax and Consumption Tax

The value added tax and consumption tax on imports will no longer be subject to tax exemption for the transaction within the threshold but be imposed at 70% of the statutory taxable amount.

The common value added tax rate for imported goods is 17% and the consumption tax rate for imported goods varies among different products. The Consumer Tax Rate Table listed the different rate for 257 kinds of imported goods.

The regulation also required the authentication of true-identity of the purchaser who bought the imports from cross-border e-platforms.

At the end of the *Notice*, the regulating authorities also came up with a list of taxable imported goods which are sold on the e-commerce platform, the three major popular goods such as infant formula, health care products and foods are all shown in the list.

So far, there is no further discussion on whether the *Notice* is implementable or compliable. A preliminary analysis of the *Notice* discovered difficulties to collect taxes on cross-border transaction activities such as:

- There is a gap between the regulation and the implementation of the new tax policy in China.For example, China has not established an information sharing system between the relevant tax authorities and the payment system on the e-commerce platforms (Sun, Chang &Hao, 2017), there is aninformation asymmetry between the tax authority and the online payment operators. At this stage, the tax authority is unable to track a buyer or seller's actual transaction volume. The most efficient way for the tax avoidance of cross-border transaction is to build the shared information systemamong the tax authorities, the customs, express companies, and operators on the e-commerce platform, while the money and time spent on establishing the information sharing system in China is huge.
- The courier companies have always prepared some strategies to deal with the regulations over the cross-border transactions. For example, in Australia, the Chinese owned courier companies required their customers to separate the goods into different parcels being delivered to several different people, who are the actual buyer's relatives or friends if one's transaction volume exceeds the tax exemption threshold and the extra tariff will be taxed. The strategies are considered as operating in the grey area of tax regulation, while the tax loss is relatively significant.

As an emerging country, China faced similar challenges with other countries but it also had its own unique difficulties in taxing the e-commerce activities. According to Azam (2012), the huge geographic dimension and population and the rapid development of Internet and e-commerce are the three main leading factors of the unique challenges. After China joined WTO in 2001, it has become one of the leading trade players in the world with extreme rapid development of cross-border transactions on the e-platform. The advancement of technology enables the free trade and goods movements between two locations, which facilitates the rapid development of cross-border online transactions. On the other hand, the tax authority in China currently is unable to capture the transaction parties, the location of the parties, and the transaction details, which leaves with a gap: how to effectively apply jurisdiction rules to tax the cross-border online activities.

2.4 Conclusion and Gap

This research reviewed the legislative provisions and literature on the tax issues of cross-border transactions. Although China and other developed countries made effort to formulate law and regulations to reduce tax evasion and avoidance, there is no ecosystem between the tax authority, e-commerce platform, and the account of consumer and seller. It is difficult for tax authorities to capture the actual transaction details, and gives the chances for some potential taxpayers to manipulate the taxable amount to reduce their tax liability. The rapid development of cross-border transactions on the e-commerce platform has left the challenges to tax authorities of identifying parties and locations of parties to apply the developed and territory based jurisdiction to regulatecross border e-commerce activities. Therefore, there is a lack of evidence that the tax implementation and compliance is efficient, and thus leaves the gap.

In order to bridge the gap, this research attempts to start from the transaction type analysis, to identify the involved parties and their location for each type of transaction, to help the tax authority capture the tax liabilities arising from each point of transaction, and then to do further analysis on how the jurisdiction rules can be applied to each transaction point.

3. Research Questions

There are several possible research questions arising from the preliminary research up to this point:

1. What are the typical transaction types for the cross-border transactions between China and Australia?

2. What are the possible tax evasion and avoidance issues occurring at each point of a transaction among the different transaction types?

3. Which country's jurisdiction and what type of jurisdiction have been violated from the transactions?

4. How to use technology to identify parties and location of transaction to facilitate the application of jurisdiction rules for cross-border e-commerce goods transaction?

Asking these questions are necessary because they relate directly to the large gap in the literature. Question one attempts to address the gap that the transactions are not clearly defined for the purposes of applying international tax rules on cross-border e-commerce shopping transactions.

Question two facilitates the next step to bridge the gap in the literature by identifying particular international tax issues, and types of taxes being evaded or avoided at different stages of the transactions.

Question three addresses the relationship between the existing international law framework and the transaction analysis performed in answering questions one and two.

Following from answering question three, question four facilitates the identification of a possible solution to the implementability and compliability of existing international tax laws to cross-border e-commerce goods transactions.

4 Research Methodology

This research is interdisciplinary in nature, it brings existing research from different knowledge domains(Shiffrin &Börner, 2004)together to contribute to solving a novel and practical issue that is relevant for both the business and government sectors, namely, tax compliance and administration on new transaction types.

The knowledge domains involved are: international business strategies, especially innovation strategies targeting e-commerce as a business model; international tax law, especially the identification of the taxpayer and whether a country has jurisdiction to tax a particular activity; market design; and international private and business law, especially relating to extraterritorial application of domestic laws.

The above literature review focused on the first two knowledge domains, because these two bodies of literature supports the identification of the research problem. The other three knowledge domains contribute to answering the four identified research questions.

This research applies a qualitative pragmatic research framework(Smith, Bekker& Cheater, 2011), including a textual analysis of the international and Chinese legal responses to taxing cross-border e-commerce transactions(Suanders, Lewis & Thornhill, 2009); qualitative phenomenological case studies of different transaction scenarios (Type I case study); and a case study of technical solutions (Type II case study) applied to another international commercial law areas. Preliminary research identified that Geo-blocking technology has been applied in the implementation of international copyright law obligations (Zarra,Altomonte&Maggiolino, 2016).

4.1 Textual analysis data collection

Data sources for textual analysis of secondary material on international response to taxing cross-border e-commerce transactions(OECD Tax Library, 2017). The type of data is secondary international legal commentary (Black, 2015).

The data includes the following publications:

- OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations
- Tax Administration 2017: *Comparative Information on OECD and Other Advanced and Emerging Economies*
- OECD Model Tax Convention to e-commerce.
- OECD Taxation Working Papers: Taxation of Knowledge-Based Capital*Non-R&D Investments, Average Effective Tax Rates, Internal Vs. External KBC Development and Tax Limitations*

Data sources for the textual analysis of Chinese regulatory material – Primary legislative material:

The Law of the People's Republic of China on Customs Duties

Temporary Regulation on Value Added Tax of the People's Republic of China

Temporary Regulation on Consumption Tax of the People's Republic of China

Individual Income Tax Law of the People's Republic of China

Enterprise Income Tax Law of the People's Republic of China

4.2 Type I Case Study

Glaser and Strauss (2017) use 'grounded theory' to discuss how case study analysis can be instrumental in undertaking new analysis. The study of the identified cross-border e-commerce goods transactions are new analysis, thereby grounded theory is applicable to the design of the Type I case study.

Figure 1 Template of Type I Case Study

Type I Case Study

Scenario:

Parties involved in the transaction:

Documentation for the Transaction:

Digital Footprint:

Location of Party:

Tax Type:

Possible Jurisdiction of Tax Type:

Current Traceability of Tax Liability:

Possibly Avoided Tax Types:

Each Type I case study identifies the Scenario and describes it in a narrative (Miles, Huberman & Saldana, 2014, 217-270). In this narrative, the parties involved in the transaction are physically located in China or Australia. The types of parties are sellers – including buying agent (Daigou), producer or brands, retailers, online sales media – including social media platforms, e-commerce shopping platforms and the seller's own websites; the Australian and Chinese customs authorities; and the final consumer. The final consumer for Type I case study is always an individual in China.

Further analysis of the scenario is necessary to identify the location of the parties. They differ depends on how the product was sourced and delivered to the final consumer. E-commerce as a business model added the Internet as a facilitator of transactions, allowing the capture of digital footprints (Varnado, 2013)of parties who engage in cross-border e-commerce transactions. This footprint is a record to identify the different stages of the transaction, thereby facilitating the identification of the location of parties.

After the identification of party locations, it is possible to identify the applicable tax types. There are four possible types of taxes that may be applied to these transactions. Either country may have jurisdiction to collect these taxes, depending on the international tax arrangements between Australia and China. Three of the four types of taxes are indirect taxes (Schenk, Thuronyi& Cui, 2015), namely customs duty (known as tariff in the economic literature), value added tax (VAT) on imports, and consumption tax on imports. The fourth tax type is income tax, which is a direct tax(Schenk, Thuronyi& Cui, 2015).

In China, the customs duty is administered by the customs authority. It is a tax on imported goods, and regulated by *the Law of the People's Republic of China on Customs Duties.*

The value added tax is a tax on the added value in a transaction, its final bearer is the consumer. In China, it is regulated by the *Temporary Regulation*[3] *on Value Added Tax of the People's Republic of China*

The consumption tax in China is a tax levied by the government on goods that it considers to be undesirable in society. It is regulated by the *Temporary Regulation on Consumption Tax of the People's Republic of China.*

The income tax in China is regulated by two laws: the *Individual Income Tax Law of the People's Republic of China*, andthe *Enterprise Income Tax Law of the People's Republic of China*.

Depends on the type of transaction and associated international tax rules, different number of tax types may be evaded and avoided.

4.3 Type II Case Study

The Type II case study examines possible technological applications for regulatory purposes. Preliminary research has not yet developed a methodology for this case study. So far, literature search discovered that geo-blocking technology has been applied to assist in implementing international copyright obligations for digital product transactions (Zarra, Altomonte&Maggiolino, 2016). The digital footprint left by parties of a cross-border e-commerce transaction is in many ways similar to those left by parties of digital product transactions for copyright purposes. This technological application is part of the data for Type II case study. The preliminary research has not discovered other technological applications yet.

5 Contribution and Preliminary Results

This research aims to contribute to filling the large gap in the literature in relation to the implementability and compliablity of existing international tax rules on cross-border e-commerce goods transactions. There are three possible contributions. First, the identification of transaction types and their digital footprints for countries to apply associated international tax rules. Second, to assist businesses in the international e-commerce retail industry to understand their liability as taxpayer and tax-withholding agents. Third, to provide a possible solution that includes the identification of digital footprints to assist the detection of transactions.

[3] A Temporary Regulation is part of the body of law in China.

The following preliminary results from the two case study types illustrate the progress of this research.

5.1 Type I Case Study

The Type I case studies aim to identify and characterise new types of consumer transactions arising from the rapid development of the global e-commerce retail sector. Preliminary studies already discovered four types of transactions and their associated tax issues. Below is a summary of preliminary results.

Case Study 1: Daigou, Consumer, Social Media Platform

Daigous (can be either individual or companies, they act as buying agents) from the import source country (Australia) generate and complete the cross-border online sales transactions with the final individual consumer in China through a social media application software (apps).

For this type of transaction, the most commonly used social media tool is Wechat, which is one of the largest standalone messaging apps with over 963 million monthly active users (Lien & Cao, 2014). The three types of functions on Wechat being used for cross-border transactions are Messaging, Moments, and the Wechat-pay payment platform.

Messaging

As a channel to support various ways of instant messaging, Wechat provides text messaging, voice messaging, broadcast messaging, and video-conferencing. Users are able to send live and past saved photos and videos. Buyers and sellers can communicate on Wechat through the messaging function(Lien & Cao, 2014).

Moments

“Moments” is the term designed by Wechat for users’ social feed about friends update. Users can use the “Moment” function to post images, text, comments; as well as share music, video and articles(Lien & Cao, 2014).

The sellers use this function as a place to post social media advertisement to inform their potential customers about the products for sale.

Wechat Pay payment services

Being implemented as a digital wallet service of Wechat, Wechat-pay enables the mobile payments by users and money transfer between users and their contacts. Each user of Wechat has their own Wechat Payment account and can acquire a balance by linking their Wechat account with their Chinese bank card associated with their Chinese mobile phone number.

The payment service on this social media application allows the money transfer between the two parties. Once the buyer finalises the online transaction by transferring the money to the seller, the seller will receive the money immediately if he clicks the “accept the transferred-in” button(Lien & Cao, 2014).

There are two common channels for the delivery of the imported goods to China. Thanks to the frequent direct flights between Australia and China, some buying agents bring goods into China by themselves, which makes doing business quicker and smoother. Most buying agents choose to cooperate with logistics companies located in Australia to deliver goods to their customers through the courier service.

In terms of this type of transaction, there is a serious allegation of tax evasion on the money received by those buying agents. Due to the limited implementability of existing tax regulations in Australia, the tax authority is unable to track the transaction incurred by the buying agent generated from their social media app.

From the perspective of the importing country, China Customs also have limited access to a good’s order list and payment details(Ren, Wan, Shi, Xu & Zhou, 2014). Observations reveal that some sellers or courier companies may manipulate the actual price and value for the goods to reduce or even escape the tariff, VAT tax, and import consumption tax. The aim for the tax evasion is to save money for the consumer, or maintain the price advantage, so as to attract more customers.

Case Study 2: Daigou, Consumer, Online Shopping Platform

Daigous from the import source country (Australia) generate and complete the online cross-border transactions with the final individual consumer in China through the Chinese online shopping platform.

There are a few cross-border platforms which can help overseas sellers reach Chinese consumers. The most frequently used online shopping platform for consumers to purchase overseas products is Taobao. As the online shopping platform that has the largest market share in China, Taobao’s number of registered members reached over 600 million by the end of 2014, which accounts for 80% of the total market share in the Chinese online shopping industry (Ren, Wan, Shi, Xu & Zhou, 2014).

As a domestic Chinese domain, taobao.com.cn is operated in Hangzhou, Zhejiang by Alibaba Group. Alibaba Group has opened the cross-border platform to allow selling goods to Chinese consumers from overseas sellers.

Within this type of transaction, the whole procedure involving communicating between the two parties, making the order, and completing the purchase by the consumer all took place through the online shopping platform.Most buying agents choose to cooperate with logistics companies located in Australia to deliver goods to their customers through the courier service.

Within this type of transaction, the online shopping platform, as a thirdparty transaction media, will automatically calculate the tariffs, value added taxes and consumption taxes on the imports based on the good's declared value(Ren, Wan, Shi, Xu & Zhou, 2014). Although the function on those platforms can collect a certain amount of import taxes, they did not have the qualification and function to verify the actual value of the goods. A lot of sellers manipulate the original deal price and provide a fake price within the online shopping accounting system to minimise the tax liability.

The main source of income for the online shopping platform comes from store commission fees (Ren, Wan, Shi, Xu & Zhou, 2014). As a domestic operated online shopping platform, the commission fees from the overseas sellers raise the tax source issues in cross-border taxation analysis, which needs to be analysed in further research.

Case Study 3: Foreign Brands and Retailers, Consumer, Seller's Website

As the third type of transaction, Chinese consumers can purchase goods directly from overseas brands and large retail companies through their websites. For example, the luxury brand Gucci launched its own Chinese e-commerce site in 2017 (Ng, 2017), opening the Chinese consumers' access to purchase its full range of products directly from its online shop. Their revamped e-commerce website enables shoppers to complete the online purchase through localised forms of payment. Tax treaties analysis will be performed in regards to the revenue earned in China by the overseas brands.

The research compared a Gucci product's listed price on its official website from the brand's origin country (Italy) to the price listed on its newly established Chinese e-commerce site, and found there is a price gap between the two countries after taking account of currency differentials. From the tax perspective, the different tax rates applied to same products over two different countries could be one of the factors for the price differentials(Ng, 2017).

Case Study 4: Foreign Brands and Retailers, Consumer, Online Shopping Platform

As the fourth type of transaction, the overseas brands and large retail companies open their online store on the online shopping platforms.Chinese consumers can purchase goods from overseas brands and large retail companies through their online store on the platform. For example, as Australia's largest food and liquor wholesaler, Metcash has an online store on the Taobao platform, which sells Australian foods to Chinese consumers (White, 2017). Bellamy's also accessed the platform for selling its infant formula (White, 2017). Those products are very popular and chased by Chinese consumers, the Australian retail companies usually send bulk stock to the custom protected zone in China in advance, once the customer order is generated, the goods can be quickly transported from the special regulatory area to the customer.

With the aim to effectively perform cargo management and customs administration, a custom protected zone is a place designated by the head of a local customs department. It is a zone used for the storage of imported, exported, or returned foreign goods intended for customs clearance.

In this type of transaction, the imported goods are moved first to a custom protected zone at where the customs office locates. The procedures and formalities of necessary import customs clearance are completed in the area (Li, 2017), as the procedures involve preparation and submission of documentations required to facilitate the imports into the country, the Chinese Customs also examines and assesses the imports' payment of tariff. There are other relevant tax issues for further research, such as whether the store on the online shopping platform represents a permanent establishment in China for the overseas brand or retailer.

5.2 Type II Case Study

A summary of how geo-blocking technology assists in implementing copyright international obligations is as follows.

In a digital products transaction, for example, downloading music from iTunes, the consumer could only download the digital product where the provider has the local copyright in their country. Platforms such as iTunes would have applied geo-blocking technology to stop the person from downloading that digital product if that platform does not have copyright in that country. The geo-blocking technology will be applied when the digital footprint crosses the national border, thereby the footprint at that transaction point triggers the block(Zarra, Altomonte&Maggiolino, 2016). Further research will analyse how that footprint is captured.

It is worth noting the blocking of the footprint means that the digital footprint of cross-border e-commerce goods transactions could be captured in a similar manner.

6 Resources & Schedule

6.1 Progression of Chapters

Figure 2 Chapter Progression

- Chapter 1: Introduction
- Chapter 2: Background
- Chapter 3:Literature Review
- Chapter 4:Research Methodology
- Chapter 5: New E-Commerce Consumer Transactions
- Chapter 6: International Tax Jurisdiction Based Measures
- Chapter 7: Chinese Tax Jurisdiction Based Measure
- Chapter 8: Technologies & Application
- Chapter 9: Results Summary & Conclusion

6.2 Research Schedule and Necessary Resources According to Chapter Progression

The PhD thesis aims to assist taxpayers and tax authorities to identify transaction details of cross-border online goods transaction, for the purpose of applying jurisdiction based international tax rules on regulating cross-border goods transactions on the e-commerce platforms between China and Australia.

In Chapter 1 is the introduction chapter, and explains the motivation to the research, the identification of the problem, and asking of the research questions.

Chapter 2 is the background of the research that explains the development of e-commerce as a business model, and the rapid development of the e-commerce shopping industry. The background also sets out the observations that there is tax evasion and tax avoidance relating to the cross-border online transactions on the e-commerce shopping platforms.

Chapter 3 is the literature review of that five identified knowledge domains that contributes to addressing the research problem, namely:

1. international business strategies, especially innovation strategies targeting e-commerce as a business model;
2. international tax law, especially the identification of the taxpayer and whether a country has jurisdiction to tax a particular activity;
3. market design and institutional economics;
4. International private law relating to jurisdiction issues; and
5. International business law, especially relating to extraterritorial application of domestic laws.

Chapter 4 reports the overall methodology. Preliminary methodological research design is reported in this paper, fine tuning of the design of the studies will be completed while performing the study.

Chapter 5 identifies the transactions and reports type I case study. In order to complete the type I case study, informal interviews with Chinese tax academics and officials may be necessary.

Chapter 6 reports the textual analysis of the international responses of cross-border online goods transactions.

Chapter 7 reports the textual analysis of Chinese tax jurisdiction measures in relation to cross-border online transactions.

Chapter 8 reports the results of type II case study.

The introduction and conclusion chapters, and the final write up of the first draft will be completed by December 2019.

Anticipated submission of final thesis is end of May 2020.

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