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The Shift and Impact of the US Cross-Border E-Commerce Taxation Policy towards China

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Abstract: Currently, digital trade is accelerating the transformation of global cross-border e-commerce trade. However, the rise of trade protectionism has made cross-border e-commerce face an increasingly complex policy environment. Based on the theory of strategic trade policy, this paper deeply explores the strategic shift of the United States' cross-border e-commerce tax policy towards China in 2025 and its impact mechanism on Chinese cross-border e-commerce enterprises. The research finds that the United States uses taxation as a tool to implement strategic squeezing, transferring part of the profits of Chinese enterprises to domestic enterprises through profit shifting, and weakening the scale economy advantage of Chinese cross-border e-commerce enterprises. The shift in the United States' tax policy serves as a warning to Chinese cross-border e-commerce enterprises, which should attach importance to strengthening supply chain resilience, diversifying market development, and enhancing brand value.

Keywords: Tax policy; Cross-border E-commerce enterprises; Strategic trade policy

1 Introduction

In recent years, the rapid development of digital trade has reshaped the global business landscape. Cross-border e-commerce, as a core carrier, not only promotes trade facilitation but also becomes a new battlefield for countries to compete for dominance in the digital economy. However, this process is facing increasingly complex policy environment challenges. In 2025, the US government's introduction of cross-border e-commerce tax policies towards China marked a sharp shift in its trade strategy towards China from "inclusive openness" to "strategic squeeze". Starting from May 2nd, US Eastern Time, the US officially terminated the "duty-free for packages under \$800" policy that had been in place for many

years, completely closing the channel for Chinese goods to enjoy tariff exemptions through direct mail small packages. Subsequently, it frequently adjusted the additional tariff policies, precisely targeting a large number of Chinese e-commerce platforms that rely on low-cost, small-batch direct mail models^[1]. As a result, the prices of some goods rose sharply, and the operating costs and compliance risks increased.

These policy changes represent an extension of the United States' strategic trade policy towards China in the digital domain. Traditional strategic trade policy theory emphasizes that the government, through intervention measures such as tariffs and subsidies, supports domestic strategic industries in oligopolistic competition markets to gain international competitive advantages and excess profits. This move by the United States is a real-world reflection of this theory. The United States has targeted cross-border e-commerce, a highly digitalized industry with economies of scale and technology spillover effects, by raising taxes to increase the marginal costs of Chinese enterprises, weakening their scale advantages, and thereby reshaping the global value chain structure to create market space for domestic enterprises. Cross-border e-commerce, as a new form of international trade in the digital age, is influenced by economic foundations, technological conditions, and policy environments. The GDP scale and per capita income level of the target market^[2-3], the internet penetration rate and logistics network efficiency^[4], as well as institutional innovation and policy environments^[5] all have significant impacts on the market demand, transaction scale, and efficiency of cross-border e-commerce. Among them, tax policies^[6] have a particularly direct impact on cross-border e-commerce. Existing research on the impact of tax policies on the cross-border e-commerce industry mainly focuses on two levels: macro trade flows and micro enterprise behaviors. Adjustments in tax policies can cause industry turmoil^[7], tax differences prompt enterprises to adjust their business strategies^[8], affect long-term investment and stability^[9], and the tax burden is ultimately passed on to consumers^[10]. Overall, the analysis of cross-border e-commerce and tax policies mostly remains at the surface level of enterprise cost transmission and short-term market reactions, lacking a systematic exploration of the deep-seated reasons for policy changes and the actual coping strategies at the enterprise level. Based on a comprehensive combination of online and offline cross-border e-commerce enterprise research samples, the main contributions of this article are: highlighting the frequent adjustments in recent US tax policies, especially the measures taken against China, explaining the logic of US tax policy adjustments and their impact on China, which is highly timely. It deeply analyzes the strategic motives of the United States and the transmission mechanism of tax policies, and provides real enterprise coping measures for the tax-related risks and market decline faced by Chinese cross-border e-commerce enterprises.

2 Trends in U.S. Tax Policy Changes

Section 321 of the U.S. Tariff Act of 1930 established the basic rules for the import of small-value

goods: goods valued at less than \$200 could enter the United States duty-free. In 2016, the Obama administration raised the duty-free threshold to \$800. This policy adjustment brought huge benefits to the development of cross-border e-commerce. Direct mail small packages not only could be exempted from tariffs and import taxes but also bypass the cumbersome formal customs clearance process, greatly reducing the time and capital costs of cross-border trade. As the unit price of B2C orders in cross-border e-commerce in China is mostly concentrated in the range of \$50 to \$500, the \$800 threshold almost covers all personal consumption orders and some small B2B orders, providing crucial support for Chinese goods to enter the U.S. market ^[11], and enabling the explosive growth of China's cross-border e-commerce. However, as China's share of the cross-border e-commerce market in the United States continued to expand, the U.S. policy direction shifted sharply from "open and inclusive" to "trade protection", with the intention of restricting China becoming increasingly clear. In 2025, the United States began to impose strict restrictions on China in terms of taxation.

Tax supervision has been tightened to an unprecedented extent, and tax costs have significantly increased. The Internal Revenue Service (IRS) of the United States will implement the amount B rule of the "two-pillar" tax reform for e-commerce starting from January 1, 2025, stipulating that cross-border e-commerce merchants must reach a specified profit margin (6.5%), otherwise they may face tax investigations or additional tax payments. However, Chinese cross-border e-commerce is dominated by small and medium-sized sellers, who are squeezed by supply chain and freight costs, and have extremely low profit margins. This rule directly puts them in a dilemma of either paying additional taxes or being investigated. Strengthening the monitoring of small transactions, all income of sellers must be declared. This regulation increases the costs faced by enterprises and raises the compliance threshold for enterprises.

The "roller-coaster-like adjustments" of tariffs are even more destructive. On February 4, 2025, the United States announced a 10% ad valorem tariff on all Chinese imports, covering core categories of Chinese cross-border e-commerce such as 3C products and clothing. On April 2, Trump announced the "Executive Order on Imposing Reciprocal Tariffs to Adjust Imports and Correct Unfair Trade Practices That Contribute to the Long-Term and Substantial Trade Deficit in Goods of the United States", imposing additional tariffs on all trading partners, with the rate for Chinese goods raised to 125%, far exceeding that of other trading partners. At the same time, the White House announced that starting from May 2, the duty-free policy for small packages from China (including Hong Kong) would be officially cancelled. Platforms like Temu and SHEIN were forced to raise prices, and some small and medium-sized enterprises withdrew from the US market. Although on May 10, China and the United States issued the "Joint Statement of the China-US Economic and Trade Talks in Geneva", reaching an agreement to suspend most of the high "reciprocal tariffs", the trend of easing was short-lived. On the 12th, the US lead negotiator, the Treasury Secretary, publicly stated in an interview that "China and the

United States have entered a state of strategic decoupling”. The unclear attitude and the frequent changes in US policies have left enterprises at a loss. In August, the United States officially and permanently cancelled the “De Minimis” policy of duty-free for goods under \$800, and all packages sent to the United States through international postal channels need to pay tariffs. The tax avoidance channel for small goods was directly cancelled. Overall, the frequent and precise tariff adjustments by the United States against China have increased the operating costs of Chinese cross-border e-commerce enterprises. At the same time, the rapid changes in US tariff policies have also brought more uncertainties to cross-border e-commerce enterprises, making it difficult for them to make decisions and long-term plans.

3 The Impact Mechanism of Tax Policies on Cross-border E-commerce Trade

The United States’ adjustments to its tax policies mainly focus on increasing taxes and strictly regulating payment channels. The actual aim is to raise the operating costs of foreign cross-border e-commerce enterprises, shift their profits to the US, force some of these foreign cross-border e-commerce enterprises to exit the US market or reduce their transaction shares in the US, and safeguard the interests of domestic US enterprises.

3.1 Profit Shifting and Cost Transmission Mechanism

The policy of raising tax rates is essentially a typical tool for strategic profit transfer. According to the theory of strategic trade, in an imperfectly competitive market, the government can transfer part of the monopoly profits of foreign enterprises to domestic ones through tariff measures. The general ad valorem taxes imposed by the United States on cross-border e-commerce from China, ostensibly to increase fiscal revenue, in essence, transfer the profits of Chinese e-commerce enterprises to domestic American enterprises through the price mechanism^[12]. This policy affects all cross-border e-commerce enterprises, forcing them to change their original product cost structure and logistics model. Under this mechanism, Chinese enterprises face a dilemma: if they keep the price unchanged, they will suffer profit compression; if they raise the price, they will weaken their competitive edge. Either choice will lead to the transfer of part of the profits to domestic American enterprises or the US government. At the same time, this policy increases the prices of Chinese products, creating a larger market space for domestic American enterprises, helping them achieve economies of scale and further strengthening the competitive advantage of the domestic US market.

3.2 Scale Economy Barriers and Market Access Mechanisms

The abolition of the small package tax exemption policy, from a strategic trade perspective, is a strategic barrier set up by the United States against the scale economy advantage of Chinese e-commerce. Chinese

cross-border e-commerce enterprises, especially those adopting the cross-border direct mail model and relying on the export of low-priced goods, have established their core competitiveness on the basis of “low profit and high sales volume” scale economy. The abolition of the small package tax exemption policy directly increases the cost of individual items, undermining the scale economy advantage of Chinese enterprises. The theory of strategic trade emphasizes that scale economy is an important source of competitive advantage in international trade. By abolishing the small package tax exemption, the United States is actually destroying the scale economy foundation of Chinese e-commerce, forcing enterprises to either raise prices and lose sales volume or maintain sales volume and bear losses. This policy undermines the business model advantages of Chinese e-commerce, eliminates weak enterprises, and increases market concentration, helping American domestic enterprises gain a larger market share and pricing power.

3.3 Compliance Costs and Market Structure Reconfiguration Mechanism

The platform tax collection policy functions as a kind of “non-tariff barrier”. By shifting the tax liability to the platforms, it significantly increases the compliance costs and operational complexity for cross-border e-commerce enterprises. This policy design not only raises the costs for enterprises but more importantly, it sets up a market access barrier, restricting the operational flexibility and market adaptability of Chinese enterprises. The policy forces Chinese enterprises to accept uniform supervision, limits their business scope, and prevents them from flexibly using price strategies to attract customers. Meanwhile, the platforms may pass on the costs to Chinese enterprises through new service fees or commissions, further weakening their competitiveness. In essence, this policy is adjusting market rules and setting additional competitive obstacles for Chinese enterprises, which will have a long-term impact on the market landscape.

4 The Comprehensive Impact of Tax Policy Changes on Chinese Cross-border E-commerce Enterprises

For Chinese cross-border e-commerce enterprises, the impact of US tax policies varies due to differences in their own scale, supply chain efficiency and business models. Chinese cross-border e-commerce enterprises have also responded by adjusting target markets, setting up risk early warning systems, relocating supply chains and adjusting product structures. Yixuan Technology’s sampling survey results show that the US tariff hikes have a relatively greater impact on medium and small-sized enterprises; micro enterprises and medium and large-sized enterprises are relatively less affected, and the impact on foreign trade enterprises mainly targeting the US market is relatively large. In the first half of 2025, the average cost increase for Chinese cross-border e-commerce enterprises reached 15-25%, with the increase in

tariff costs being the main factor.

4.1 The extent to which enterprises are affected is not significant.

Some enterprises have been affected relatively smoothly. Due to the fast response speed of supply chains and flexible product adjustment of some cross-border e-commerce enterprises, they can appropriately avoid or hedge against the adverse policy impact. According to the survey questionnaire on the impact of trade policies on the development of cross-border e-commerce conducted by the China Association of Trade in Services, 66.67% of the enterprises believe that their export business has fluctuated but remained stable. Some enterprises have flexible and powerful supply chains to buffer the adverse impact of tax policies. Through in-depth research on the customers it serves, Ningbo World Trade Pass in Zhejiang Province found that under the impact of the tough tax policies of the United States, many cross-border e-commerce enterprises have stocked up in advance before the tariff increase, ensuring stable supply to foreign platforms such as Amazon. It is precisely because of the efficient supply chain response speed that these enterprises can still maintain the stable development of e-commerce trade even facing the threat of over 100% US tariffs.

In addition, the rapid adjustment of product and market directions has helped enterprises explore emerging sectors, reducing the overall revenue risk of the enterprises. Brand enterprises and leading enterprises in niche categories have strong bargaining power and can transfer part of the cost pressure by raising prices. These enterprises maintain relatively stable profit margins by relying on product differentiation and brand loyalty. Huayi is a cross-border e-commerce enterprise mainly engaged in the clothing business. In the first half of 2025, its business in the United States dropped by about 20% due to the impact of US tax policies, suffering a significant blow. However, the enterprise promptly adjusted its market and product directions, exploring the daily consumer goods market in Russia, where the business grew by 40%. As a result, the enterprise's overall revenue increased by about 10% in the first half of the year. However, the enterprise also realizes that political factors need to be considered in the long term, and the exploration of emerging markets is extremely important. It should avoid being constrained by the policies of a single country.

4.2 Enterprises are greatly affected and impacted.

Some enterprises have suffered significant impacts, mainly targeting the majority of small cross-border e-commerce enterprises. These enterprises are numerous and lack the ability to cope. Unfavorable tax policies have directly raised the operating costs of enterprises, and they are facing the choice of exiting the market or adjusting their business. Although the US tariffs have increased, the prices of clothing and furniture in US supermarkets have risen slightly, far lower than the increase in tariffs. US consumers are

not sensitive to price changes. However, in contrast, some Chinese enterprises, due to increased costs, have seen their profit margins squeezed. Many have resorted to unfavorable methods such as lowering product quality and reducing raw material costs. Such practices have affected consumer purchase satisfaction and led to a decline in product sales.

Secondly, enterprises have complex business operations and it is difficult to transfer production, making it hard to make quick adjustments. During the process of entering the US cross-border e-commerce market, Yiren Toys was greatly affected by tariffs. Some US companies requested that production be moved to regions outside China. However, the toy production process is intricate and interlinked, and it is not easy to clear samples through customs, making the transfer difficult. Libert Company stated that during a research trip to the US this year, they found that foreign trade customers demanded the relocation of risky business to other places. However, the company produces DIY products, which are fragmented, have a long supply chain, and involve numerous orders with low individual product values. This poses a challenge for relocation. Moreover, relocation would be detrimental to “Made in China”. At the same time, US enterprises are accustomed to high profits, with more costs in warehousing, personnel, and stores. If some business is transferred to the US, it would face higher costs.

5 Countermeasures and Suggestions

5.1 Jointly build an information sharing system with multiple parties involved

Led by industry organizations and in collaboration with the government, enterprises and other stakeholders, an information and digital sharing system should be established, that is, a dedicated database should be set up to promote information transparency, enhance risk early warning and improve enterprises' ability to respond to market changes. First, a database covering compliance policies, service providers and white list certifications in the cross-border e-commerce industry should be established. Cross-border e-commerce enterprises or merchants can promptly query the policies and regulations of various countries and understand changes in the policy environment through the database. They can also obtain the types of service providers they need, such as logistics, payment or compliance service providers, thereby reducing the cost of searching for partners. In addition, the database can integrate white list certification information, allowing merchants to cooperate with compliant enterprises through the white list and reduce compliance risks.

5.2 Jointly build a service platform and an innovative technology sharing mechanism

The industry should take the lead in developing application platforms suitable for cross-border e-commerce enterprises, with a focus on creating digital tools for key areas such as compliance adaptation and

trademark squatting early warning, to achieve technology sharing within the industry. First, develop digital tools for compliance adaptation, such as creating a dedicated rule database for countries or regions, allowing enterprises to access the system for free and generate compliance reports for their products. Second, in terms of trademark squatting early warning, build a global trademark dynamic monitoring system, incorporate artificial intelligence technology to promptly send out warnings upon detecting suspected squatting, and assign a unique blockchain digital fingerprint to each brand. Customs can scan the code to verify authenticity and prevent the circulation of counterfeit goods. By introducing advanced technologies and improving the service platform of the industry, the overall operational efficiency of the cross-border e-commerce industry can be enhanced.

5.3 Leading the industry in compliance, self-discipline, and data security

Actively formulate industry standards to guide enterprises onto the path of compliance and reduce export compliance risks. Focus on improving green industry standards, platform responsibility standards, and data security standards. First, in terms of green industry standards: attention should be paid to the requirements for green products and regulations on green supply chain management. For example, clear provisions should be made regarding the requirements for environmentally friendly materials and carbon emission standards in green product standards. Second, in terms of platform governance: the responsibilities of platforms and platform merchants should be clarified, and platform responsibilities should be made clear. For instance, regulations should be established regarding service taxes and commissions that platforms should collect, to prevent the increase in platform responsibilities due to platform monopolies or the requirements of various countries for platforms to report and pay taxes, which may lead to the collection of “overflow” service fees from merchants. Third, in terms of data security: a full-chain, classified and graded management system for the collection, transmission, storage, use, and destruction of data related to cross-border e-commerce operations should be established, with detailed provisions made regarding data adoption technologies and management processes.

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Author Contributions

The authors acknowledge their responsibility for the following: research conception and design, data collection, results analysis and interpretation, and manuscript writing.

Availability of Data and Materials

The authors confirm that all data generated or analyzed during this study are included in the published articles in the references.

Conflicts of Interest

The authors declare that they have no conflicts of interest to report regarding the present study.

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