

China 2026: Act Now

Key Updates Impacting Your Business

Objective: To provide a clear and actionable vision of the major changes expected for 2026, focusing on the concrete impacts for the daily management and strategy of subsidiaries.

Part 1: Introduction & Context

1. Agenda:

The legal landscape: New rules of the game for foreign investors.

The tax revolution: Beyond "Beneficial Owner", what surprises await?

Accounting evolution: More transparency, more work.

Dashboard and priority actions for 2026.

Part 2: The Legal Landscape - New Rules of the Game

1. The Strengthening of "Negative Lists" and the Foreign Investment Law

Market access becoming increasingly targeted and conditional.

What's changing in 2026: Predictable update of negative lists. Increased restrictions in sectors related to data, key technologies, and national security.

2. The Omnipresence of the Data Protection Law (PIPL) and Cybersecurity Rules

2026 Evolution: Strengthening of controls and sanctions. Expect more frequent audits on data transfers outside of China, even within the group.

3. National Security and Expanded Due Diligence

National security law is entering business law.

Authorities can investigate supply chains, technology partners, and funding.

Concrete impact: Your due diligence on a Chinese partner, client, or supplier must now include a "national security" dimension (e.g., server location, origin of components).

Part 3: The Tax Revolution - Preparing for the Shock

1. The End of Easy "Beneficial Owner"?

Local tax administrations (SAT) will be better trained and more aggressive in challenging the benefit of reduced withholding tax rates (dividends, interest, royalties) to holdings located in "favorable" jurisdictions.

Risk of 10% withholding tax instead of 5% or 0%. Possible retroactive challenge.

2. The Broadened Tax Base

2026 Points of vigilance:

Transfer Pricing: Documentation (Master File, Local File) more heavily scrutinized. Focus on royalties and intra-group services. Risk of heavy penalties for non-compliance.

Value Added Tax (VAT): Continued simplification but increased vigilance on deductions and credits, especially for e-commerce and digital services.

New Green Taxes: Possible introduction or increase of environmental taxes (carbon, waste).

3. The Future of Tax Incentives

High-Tech & R&D Sectors: Strengthened tax credits for R&D expenses incurred in China.

Pilot Free Trade Zones: Specific advantages (tax, customs) for companies establishing there.

"Green" Industries: Possible subsidies and tax reductions.

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Part 4: Accounting Evolution - More Transparency, More Work

1. Towards Harmonization with IFRS?

Expected changes: Possible revision of revenue recognition rules (CAS 14) and accounting for lease contracts (CAS 21) for closer alignment with IFRS 15 and 16.

2. The Mandatory Digitalization of Accounting

Context: The "Golden Tax System IV" is underway.

What it is: A fully digitized and connected tax system that directly pulls transaction data (electronic invoices, bank statements).

Part 5: Conclusion & Roadmap

1. Summary of Key Challenges

2. Dashboard of Priority Actions for 2025