

China Insight



2026 – Topics that may Concern You

Corporate

- **Further guidance on the new *PRC Company Law***

On 1 July 2024, a comprehensively revised *PRC Company Law* entered into effect.

The revised *PRC Company Law* constitutes a major update and introduces multiple changes compared to the former 2018 version of the *PRC Company Law*. The revised *PRC Company Law* brought along important changes in various areas, such as capital contributions, equity transfers, the use of reserves and registered capital, dissolution and liquidation as well as in particular on corporate governance and employee representation. Please refer to our [newsletter](#) published earlier for details.

However, many details of the revised *PRC Company Law* are vague and not sufficiently clear. Further, as to the newly introduced employee representation in all limited liability companies with at least 300 employees, currently, the local practice of company registration authorities still appears to be very inconsistent. It is accordingly to be hoped that in 2026 there will be further guidance, e.g. by way of implementing regulations and/or judicial interpretations. In this regard, on 30 September 2025, the PRC Supreme People's Court had issued a *Draft Interpretation on Several Issues Concerning the Application of the PRC Company Law Open for Public Comments* dealing with multiple aspects of the *PRC Company Law*, such as effectiveness of the resignation and replacement of a legal representative; piercing of corporate veil; related-party transactions; shareholders' derivative suits; and special rules on listed companies. Potentially, a final and binding version of such interpretation may enter into effect in 2026.

Commercial

- **Trade tensions with the US and the EU**

Trade tensions and escalating tariffs – particularly between the United States and China – dominated international headlines throughout 2025. At the same time, sanctions, export controls, and related legal remedies became central concerns for many internationally operating companies. It remains to be seen whether 2026 will bring new developments in these critically important areas.

- **Revised *PRC Arbitration Law***

On 12 September 2025, the Standing Committee of the National People's Congress promulgated a comprehensively revised *PRC Arbitration Law*. The new law will enter into effect on 1 March 2026.

The revised *PRC Arbitration Law*, inter alia, deals with online arbitration procedures, the arbitral tribunal's jurisdiction over the validity of arbitration agreements, ad-hoc arbitration (which so far and also under the new law is only possible in the PRC for certain special foreign-related cases), and it introduces a "seat of arbitration system" also for the PRC. Key provisions include the following:

- Arbitration activities may be conducted online through an information network, unless a party expressly objects. Such online arbitration activities shall have the same legal effect as offline arbitration activities.
- If a party challenges the validity of the arbitration agreement, it may request the arbitration institution or the arbitral tribunal to make a decision, or apply to the People's Court for a ruling. If one party requests the arbitration institution or the arbitral tribunal, and the other party applies to the People's Court, the People's Court shall render the ruling.

A challenge to the validity of the arbitration agreement by a party shall be raised before the arbitral tribunal's first hearing.

- For foreign-related maritime disputes or foreign-related disputes between enterprises registered in a free trade pilot zone established by approval of the State Council or the Hainan Free Trade Port, or other areas designated by the State, if the parties have agreed in writing to arbitration, they may choose to have the arbitration conducted by an arbitration institution. Alternatively, they may apply ad-hoc arbitration by designating the PRC as the seat of arbitration, and having the arbitration conducted at an agreed location in the PRC by an arbitral tribunal composed of individuals meeting the criteria specified in the *PRC Arbitration Law*, in accordance with the agreed arbitration rules. In such case, the arbitral tribunal shall, within 3 working days after its formation, file the names of the parties, the agreed place of arbitration, the formation of the arbitral tribunal, and the rules of arbitration with the arbitration association.
- The parties may agree in writing on the seat of arbitration. The seat of arbitration shall serve as the basis for determining the applicable governing law and the court of jurisdiction for the arbitration proceedings, unless the parties have otherwise agreed on the governing law for the arbitration proceedings. The arbitral award shall be deemed rendered at the seat of arbitration.

If the parties have not agreed on the seat of arbitration, or the agreement is unclear, the seat of arbitration shall be determined in accordance with the arbitration rules agreed upon by the parties. If the arbitration rules do not specify a place, the arbitral tribunal shall determine the seat of arbitration based on the circumstances of the case and the principle of facilitating dispute resolution.

Since arbitration is by far the most dominant dispute resolution mechanism for PRC related contracts involving foreign or foreign-invested companies, the revised *PRC Arbitration Law* will be of high importance and may have impact on nearly all such PRC related contracts in the future.

- **Potentially revised *Product Quality Law***

The current *PRC Product Quality Law* was initially promulgated in 1993 and amended respectively in 2000, 2009 and the last time in 2018. Due to reasons such as development of the PRC legal practice for product liability, enhanced customer protection, diversified sales tools (e.g. e-commerce), etc., it has become increasingly necessary to amend and update this law in order to regulate product liability issues in a better structured and systematic way.

On 18 October 2023, the State Market Supervision Administration had released a draft of the amended *Product Quality Law* to seek public comments until 18 November 2023. Subsequently, on 4 January 2024, all comments had been released. It is yet not clear when the drafting process will be completed and the draft will be submitted to the PRC State Council for review. Since the *PRC Product Quality Law* was not mentioned in the Legislative Work Plan of the Standing Committee of the National People's Congress for the year 2025, it is unclear whether there will be decisive developments in 2026.

Competition

- **Potential Developments of China's Competition Law Regime**

This year, China has continued to refine and strengthen its competition law framework. Several new regulations were issued, including Guidelines on Anti-Monopoly in the Pharmaceutical Sector, Benchmark for Discretion for Administrative Sanctions for the Illegal Implementation of Concentrations of Undertakings, etc. These regulations demonstrate China's ongoing focus on improving transparency, predictability, and consistency in competition law enforcement.

At the same time, many draft regulations for comments were released, signaling the authority's intention to further provide guidance on emerging issues. Among the draft regulations, the Provisions on Prohibition of Monopoly Agreements are particularly significant, as they introduce potential safe harbour thresholds for vertical agreements. Under the current draft, vertical price-related agreements fall within the safe harbour rule, if both the undertaking and its counterparty hold market shares below 5% in the relevant market and have annual turnover below RMB 100 million. For vertical non-price agreements, the thresholds are 15% for market share and RMB 300 million for annual turnover. These thresholds, if adopted, would provide businesses with clearer guidance on which vertical arrangements are unlikely to be considered anti-competitive.

The draft Guidelines for the Review of Non-Horizontal Concentrations establish preliminary indicators, including market share and HHI (Herfindahl-Hirschman Index) thresholds, for evaluating vertical or conglomerate mergers. According to the draft, the enforcement authorities assess whether a transaction may restrict competition based on multiple factors. These include the purpose of the transaction, the likelihood of foreclosure of inputs or customers (for example, through control of key raw materials or blocking access to downstream clients), the possibility of gaining a competitive advantage through access to sensitive information, the risk of coordinated price increases, and the potential for tying, refusals to deal, or exclusive arrangements. Together, these criteria provide a structured framework for evaluating the potential impact of non-horizontal concentrations on market competition.

Additionally, in practice, a notable enforcement development occurred on 22 July 2025, when SAMR prohibited Wuhan Yongtong's acquisition of Shandong Huatai Pharmaceutical. This case is significant as the first case where a concentration below the mandatory filing threshold was prohibited and the first case requiring an already-implemented concentration to be unwound. It demonstrates SAMR's willingness to take strong action when competitive concerns arise, even in transactions that do not meet the filing threshold, and serves as an important reference for practical compliance considerations.

Looking ahead to 2026, attention will focus on whether the proposed safe harbour rules for vertical agreements are formally adopted and the practical conditions for their application. It will also be important to follow developments in the merger control sector, as the guidelines expected to be formally adopted in the future, together with insights from recent cases, will help guide the analysis of the competitive effects of such transactions and provide greater clarity to companies. These developments suggest that companies will need to maintain awareness, conduct careful assessments of various kinds of transactions, and implement proactive compliance measures to mitigate potential risks.

Data Protection

- **Improve the legal system for data protection**

In 2025, China focused on the improvements on the cybersecurity laws and regulations to address newly emerging related challenges. As one of the fundamental laws in China's cyber legal framework, the *PRC Cybersecurity Law* has been revised for the first time since its enactment in 2017. The revision strengthens and expands the scope of regulatory oversight and refining penalty standards to adapt to the new cybersecurity circumstance and align with other published laws and regulations. Please refer to our [newsletter](#) published earlier for details. Besides, on 11 September 2025, the Cyberspace Administration of China released the *Administrative Measures for the Reporting of National*

Cybersecurity Incidents. It established a clear reporting framework for cybersecurity incidents and provides companies with explicit guidance to classify the incident and report steps. Please refer to our [newsletter](#) published earlier for details.

Further, many regulations related to the *PRC Personal Information Protection Law* ("PIPL") were released for further refining and perfecting the legal framework for personal information protection. The *Measures for Personal Information Protection Compliance Audits* has been released and come into effect on 1 May 2025. They provide systematic and operational guidelines for conducting personal information compliance audits. Please refer to our [newsletter](#) published earlier for details. The *Measures for Personal Information Cross-Border Transfer Certification* have also been released and will come into effect on 1 January 2026. The first batch of accredited certification entities has also been officially announced. Personal information protection certification, together with security assessment and standard contracts, are the three lawful methods for data export stipulated by the PIPL. The formal establishment of the certification mechanism further expands the range of compliant options available to companies and supports the secure and efficient cross-border transfer of personal information.

Looking ahead, China will place greater emphasis on data governance and is expected to release more supporting regulations to further strengthen its legal framework for data security and personal information protection.

Artificial Intelligence

- **Increased regulation on compliance of artificial intelligence ("AI")**

In order to promote the healthy development of AI while preventing the misuse of AI-generated content, the Cyberspace Administration of China jointly with multiple government departments issued the *Measures for Marking AI-Generated Content*. It has been taken effect on 1 September 2025. It aims to clarify the responsibilities and obligations of relevant service providers regarding the labeling of AI-generated content, and to help users identify and distinguish AI material from authentic information through clear marks. To support implementation, the national standard *GB 45438-2025 Cybersecurity Technology – Methods for Marking AI-Generated Content* has also been released simultaneously, providing companies with practical guidance for AI label compliance.

In addition, the draft of the *PRC Artificial Intelligence Law* is no longer listed in the State Council's 2025 Legislative Work Plan compared to that of 2024. Instead, the legislation plan now only highlights the advancement of legislation to promote the healthy development of AI. This means that Chinese authorities take a more cautious and deliberate attitude toward AI legislation.

Intellectual Property

- **Revision draft of the *PRC Trademark Law***

The China National Intellectual Property Administration ("CNIPA") published the revision draft of the *PRC Trademark Law* ("Revision Draft") on 13 January 2023. The State Council executive meeting has approved the Revision Draft theoretically and decided to submit it to the Standing Committee of the National People's Congress for deliberation, which may be promulgated in 2026. The Revision Draft aims to strengthen the obligation to make actual use of trademarks, strike down bad faith applications and reinforce enforcement against trademark infringement and illegal acts. Considering that the Revision Draft was prepared by the CNIPA alone and incorporated material changes in the current trademark regulation schemes, it will need to be deliberated and considered seriously by the legislative authority. Nevertheless, according to the recent practice of the CNIPA, it is noteworthy that the CNIPA has already enhanced their standards on examining use evidence in non-use cancellation proceedings and tended to refuse a large volume of trademark applications at one time. Therefore, we expect that before the Revision Draft will be enacted in 2026, the CNIPA will keep aligning their practice in accordance with the spirits of the Revision Draft.

Employment

- **New Regulation for Implementing New Retirement System**

The Chinese government issued the *Measures of the State Council on Progressively Raising the Statutory Retirement Age* and the *Interim Measures for the Implementation of Flexible Retirement System* (the "New Retirement System") in September 2024. On December 31, 2024, the PRC Ministry of Human Resources and Social Security together with two other departments further released the *Interim Methods for the Implementation of Flexible Retirement System* (the "Implementing Rules") which provided more specific rules on handling employees' retirement due to extension of statutory retirement ages. The Implementing Rules have taken effect as of 1 January 2025.

According to the Implementing Rules, employees will reach statutory retirement ages at different times due to their different dates of birth, and it is the employer's obligation to promptly handle retirement procedures for employees. For employees deciding to retire, they shall notify the employer in writing about the expected date of retirement at least three months in advance but no consent from the employer is required. For an employee who wants to further delay retirement beyond the new statutory retirement age, he/she shall reach an agreement with the employer on the further delayed period one month before the employee reaches the new statutory retirement age. During the further delayed period, the employee will remain an employment relationship with the employer and the employer shall continue to fulfill all employer's legal obligation for the employee, including continuing to provide social insurance for the employee.

As more and more companies will need to handle employee retirement matters under the New Retirement System, we anticipate that this topic will continue to be an important topic in 2026.

For more information on this topic, please refer to our [newsletter](#) published earlier.

- **Release of PRC Supreme People's Court Opinion**

On 1 August 2025, the PRC Supreme People's Court released the *Opinions (II) on Several Issues Concerning the Application of Law in the Trial of Labor Disputes* (the "Judicial Opinion II") and several typical labor dispute cases. The Judicial Opinion II has taken effect from 1 September 2025. The Judicial Opinion II consists of 21 Articles in total. They clarified many long-standing controversies in implementing employment law and inconsistencies in judicial practice at different locations, which can be summarized as in the following four main aspects: (i) implementation of non-competition obligations; (ii) conclusion and renewal of employment contracts; (iii) workforce engagement and social insurance issue; and (iv) labor disputes.

The top four impacts on employers' daily employment management are summarized as below:

- (i) detailed rules stipulate that non-competition obligations shall only be implemented with the employee who actually had access to trade secrets and other IP-related confidential information and be implemented within the scope, geographical area, and with the time period being consistent with the nature of the trade secrets or IP-related confidential information actually accessed by the employee;
- (ii) detailed scenarios are specified where employers shall be obligated to conclude an indefinite term employment contract after the conclusion of two consecutive fixed term employment contracts;
- (iii) detailed scenarios under which an employment contract shall be deemed as no longer performable after unjustified termination are provided more limitedly, and it is anticipated that the legal risk of reinstatement of the employment contract after termination may become higher in the future; and

- (iv) The foreign enterprise that has established a representative office in China may be required to participate in labor dispute proceedings initiated by any employee working at the representative office under certain circumstances.

The Judicial Opinion II has included provisions on a wide range of employment law topics. However, it still needs to be seen how the People's Courts in different regions of China will apply the general rules in Judicial Opinion II under different specific case scenarios. We anticipate that this topic will continue to be a hot topic in 2026.

For more information on this topic, please refer to our [newsletters](#) published earlier.

Tax

- **Enactment of the *PRC VAT Law***

On 25 December 2024, the Standing Committee of the 14th National People's Congress of China voted to enact the *PRC VAT Law*, which will take effect on 1 January 2026. By largely retaining existing VAT policies, the *VAT Law* achieves a delicate balance between maintaining continuity and paving the way for a refined and robust tax framework. Please refer to our [newsletter](#) published earlier for details.

High expectations are given to the *Detailed Implementation Rules of the PRC VAT Law* to be promulgated by the State Council. Since the new law will take effect already on 1 January 2026, promulgation of the detailed implementation rules and the auxiliary regulations becomes imminent now. The detailed implementation rules may be promulgated in early next year, the latest, in order to smooth the transition to the new law. Therefore, companies must stay ahead of regulatory shifts, especially as the digitalization of tax management accelerates, and keep a close eye on the follow-up implementation rules of the *VAT Law* as well as the auxiliary regulations just from this very moment that approaches the year-end of 2025.

- **Additional preferential tax treatment for profit reinvestment in China**

Apart from the Withholding Tax ("WHT") deferral treatment applicable to the dividend reinvestment in China, an additional preferential tax policy was further promulgated by the Ministry of Finance, the State Administration of Taxation and the Ministry of Commerce jointly on 27 June 2025 to further encourage the foreign investors to use the PRC-sourced dividend incomes for direct reinvestment in China. According to this new policy, up to 10% of the reinvested amount can be used as a quota to credit against the foreign investor's PRC WHT payable of the current year on dividends, interests, royalties and similar incomes received by the foreign investor from the PRC company from which the dividends are distributed after the date of reinvestment, based on the conditions that the reinvested entity is engaged in an encouraged industry listed in the Catalogue of Encouraged Foreign Investment Industries and the holding period of the reinvestment should be at least 5 years (i.e., 60 months). The unused quota of the current year can be carried forward to the future years for further credit.

This policy is valid till the end of 2028, but any unused quota at that time can continue to be utilized till it becomes zero. Please refer to our [newsletter](#) published earlier for details.

Compliance

- **Compliance with Conflicting Sanction Regimes**

Geopolitical developments have led to an increase of multifaceted sanction mechanism by regulators in China and globally. This includes specifically sanction lists, export bans, important bans, trade tariffs and blacklisting with limitations of market access. Sanction lists usually prohibit or impose stricter regulatory requirements to do business with certain companies, organizations and individuals. China has developed mechanisms to respond to US sanctions and investment controls, primarily to the US "Entity Lists". Key sanction tools from the Chinese regulator are the *PRC Anti-Foreign Sanctions Law*, *PRC Export Control Law* and the *PRC Unreliable Entity List*. These laws and relevant regulations have been revised or developed in 2025 aiming at stricter protection of economic and technological

interests. The *Implementation Rules of the PRC Anti-Foreign Sanctions Law* elaborate and specify the scope of actions under the *PRC Anti-Foreign Sanctions Law*, which may be imposed on foreign businesses in China. The revised “*Control List of Dual-Use Items*” under the *PRC Export Control Law* expands the scope of matters, which shall be subject to stricter export controls. The *PRC Unreliable Entity List* has been also revised and broadened in 2025. The Chinese regulator will keep developing a robust legal framework in the aforementioned areas. Compliance professionals must anticipate these regulatory developments in China. That means that trade compliance and specifically sanctions screenings will keep playing in the new year 2026 a significant role for foreign investors doing business in China. This applies also to those foreign companies, which are not based in, but sourcing from China. If sanction and counter-sanctions mechanism are getting stricter in conjunction with China, foreign as well as Chinese investors need to develop risk management strategies, to manage conflicting sanctions regimes.

- **Stricter Anti-Bribery Rules under Revised Anti-Unfair Competition Law (Commercial Bribery)**

The Chinese regulator continuous fighting against bribery across all sectors in China. This has been most recently demonstrated by the revision of the *PRC Anti-Unfair Competition Law* (“AUCL”), which became effective on 15 October 2025. It clarifies that both entities and individuals shall not accept bribes in transaction activities. In the past, only offering bribes in transaction activities was prohibited by the AUCL. It remains to be seen whether this regulatory change will trigger an increase of bribery investigations by regulators also against the receiving side of the bribe. The maximum fine for commercial bribery for companies has been increased from RMB 3 million to RMB 5 million. The revised AUCL has also an extraterritorial effect on commercial bribery activities conducted outside of China. It is to be expected that the Chinese regulator will keep strengthening the anti-bribery laws following the anti-corruption campaign by the government. Foreign companies operating in China should review their compliance management systems bearing in mind that also misconducts on headquarter level abroad may fall under Chinese jurisdiction.

- **Corporate Social Credit System: New Focus on Credit Repair**

China’s National Development and Reform Commission (“NDRC”), which is the key regulator of China’s Corporate Social Credit System (“CSCS”) has released in 2025 a number of new regulations for the further regulatory development of the CSCS. The NDRC (jointly with the People’s Bank of China) has first released the *National Basic List of Disciplinary Measures against Dishonest Acts (2025 Edition)* and the *Basic Catalogue for Public Credit Information (2025 Edition)*, which became effective on 14 March 2025. For more information, please refer to our [newsletter](#) published earlier. These rules have been followed by the *Administrative Measures for Credit Repair* (“Measures”), which have been also released by NDRC on 20 November 2025. The Measures, which will become effective on 1 April 2026, demonstrate NDRC’s new focus on “Credit Repair”. Credit repair means, in essence, that a company, which has been subject to negative records in the public credit databases can apply for the removal of such negative records, and that such negative records shall not be used or shared by the operators of the CSCS platforms anymore. The credit standing of the affected company shall be improved. Foreign companies operating in China should be aware of this new playbook of credit repair to manage best their corporate reputation in China. Although expected for 2025, the existing draft “*Law of the PRC on the Development of the Social Credit System (Draft)*” (“Draft CSCS Law”) has not yet been promulgated. It remains to be seen whether the NDRC will release the new CSCS Law in 2026. The current regulatory developments of CSCS are overall driven by the NDRC and foreign invested companies should anticipate that the CSCS will be further developed and stricter enforced in the new year 2026.

Life Sciences

- **Further Optimization of Production of Imported Medical Device Products by Chinese Enterprises**

In 2025, the NMPA issued *Further Optimization of Production of Imported Medical Device Products by Chinese Enterprises* (“2025 Announcement”). The 2025 Announcement clarifies certain aspects which were unclear in the similar regulation issued in 2020, in terms of scope of domestic applicants,

exception for overseas registration invested by a Chinese domestic enterprise, scope of the original registration application materials that can be submitted, documents to be submitted to prove the same actual controller, authorization letter, commitment of quality management system. For more information on this topic, please refer to our [newsletter](#) published earlier.

- **Understanding China's New Requirements on Digital Labels for Prepackaged Food**

Digital labels are becoming a noteworthy trend in the prepackaged food industry in the People's Republic of China. The State Administration for Market Regulation and the National Health Commission released *the Notice on the Implementation of Digital Labeling for Prepackaged Foods* on 8 September 2025, which provided for more implementable requirements. For more information on this topic, please refer to our [newsletter](#) published earlier.

- **China's SAMR Clarifies Rules for Identifying Disguised Medical Advertisements**

On 13 August 2025, the State Administration for Market Regulation ("SAMR"), together with the National Health Commission and the National Administration for Tradition Chinese Medicine of the People's Republic of China, released and started to implement the *Guidelines on Identification of Medical Service Advertisements* ("Guidelines"). Although theoretically speaking, guidelines should not be regarded as underlying principles for administrative sanctions, in the absence of relevant express provision regarding its nature of binding force for administrative sanctions, these Guidelines will highly likely be regarded by authorities as references to identify medical advertisement in practice. For more information on this topic, please refer to our [newsletter](#) published earlier.

- **China's NMPA Issued the Revised Good Manufacturing Practice for Medical Devices**

On 4 November 2025, the National Medical Products Administration ("NMPA") of the People's Republic of China released the revised Good Manufacturing Practice for Medical Devices ("Medical Devices GMP"), which will take effect on 1 November 2026 and replace the 2014 version.

This revised Medical Devices GMP marks the most comprehensive restructuring of China's Medical Devices GMP framework. Beyond refining existing provisions, the new Medical Devices GMP introduces paradigm-shifting requirements for product quality governance, lifecycle risk management, and supply chain accountability, especially by taking into account the development of medical devices marketing authorization holders regime. For more information on this topic, please refer to our [newsletter](#) published earlier.

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