

Certified Public Accountants Law of the PRC

Dan Young Business Consultancy — www.danyoungcpa.com
Unofficial English translation prepared for reference only. The official Chinese text prevails.

Contents

Table of Contents	1
Chapter I — General Provisions	1
Chapter II — Examinations and Registration	2
Chapter III — Scope of Business and Rules	3
Chapter IV — Accounting Firms	4
Chapter V — Institute of Certified Public Accountants	5
Chapter VI — Legal Liability	6
Chapter VII — Supplementary Provisions	6

Adopted at the 4th Session of the Standing Committee of the Eighth National People's Congress on October 31, 1993; amended at the 10th Session of the Standing Committee of the Twelfth National People's Congress on August 31, 2014
Effective: January 1, 1994

Table of Contents

- Chapter I — General Provisions
- Chapter II — Examinations and Registration
- Chapter III — Scope of Business and Rules
- Chapter IV — Accounting Firms
- Chapter V — Institute of Certified Public Accountants
- Chapter VI — Legal Liability
- Chapter VII — Supplementary Provisions

Chapter I — General Provisions

Article 1 — This Law is enacted for the purpose of giving play to the attestation and service functions of certified public accountants in social and economic activities, strengthening the administration of certified public accountants, safeguarding the public interest of society and the lawful rights and interests of investors, and promoting the sound development of the socialist market economy.

Article 2 — A certified public accountant is a practicing professional who has lawfully obtained a certified public accountant certificate and who, upon acceptance of a commission, engages in auditing and in accounting consulting and accounting services.

Article 3 — An accounting firm is an institution lawfully established to undertake certified public accountant business.

A certified public accountant shall join an accounting firm in order to practice his or her profession.

Article 4 — An institute of certified public accountants is a social organization composed of certified public accountants. The Chinese Institute of Certified Public Accountants is the national organization of certified public accountants, and the institutes of certified public accountants of provinces, autonomous regions and municipalities directly under the Central Government are the local organizations of certified public accountants.

Article 5 — The finance department of the State Council and the finance departments of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government shall supervise and guide certified public accountants, accounting firms and the institutes of certified public accountants in accordance with law.

Article 6 — Certified public accountants and accounting firms shall, in practicing their profession, observe laws and administrative regulations.

Certified public accountants and accounting firms shall practice independently and impartially in accordance with law, and shall be protected by law.

Chapter II — Examinations and Registration

Article 7 — The State shall implement a uniform national examination system for certified public accountants. The measures for the uniform national examination for certified public accountants shall be formulated by the finance department of the State Council and implemented by the Chinese Institute of Certified Public Accountants.

Article 8 — Chinese citizens who have graduated from institutions of higher learning at or above the level of junior college, or who hold an intermediate or higher technical title in accounting or a related specialty, may apply to take the uniform national examination for certified public accountants; persons holding a senior technical title in accounting or a related specialty may be exempted from the examination in certain subjects.

Article 9 — A person who has passed the uniform national examination for certified public accountants and has been engaged in auditing work for two years or more may apply to the institute of certified public accountants of a province, autonomous region or municipality directly under the Central Government for registration. Except for the circumstances listed in Article 10 of this Law, the institute of certified public accountants accepting the application shall grant the registration.

Article 10 — The institute of certified public accountants accepting an application shall not grant registration under any of the following circumstances: (1) the applicant does not have full capacity for civil conduct; (2) the applicant has been subjected to criminal punishment, and less than five years have elapsed from the date of completion of the execution of the penalty to the date of application for registration; (3) the applicant has been subjected to administrative penalty or to a sanction of removal from office or a more severe sanction for committing a serious error in financial, accounting, auditing, enterprise management or other economic management work, and less than two years have elapsed from the date of the decision on the penalty or sanction to the date of application for registration; (4) the applicant has been subjected to the penalty of revocation of the certified public accountant certificate, and less than five years have elapsed from the date of the decision on the penalty to the date of application for registration; or (5) other circumstances under which registration shall not be granted, as prescribed by the finance department of the State Council.

Article 11 — An institute of certified public accountants shall report the list of persons whose registration has been granted to the finance department of the State Council for the record. Where the finance department of the State Council discovers that a registration granted by an institute of certified public accountants is not in

conformity with the provisions of this Law, it shall notify the institute concerned to revoke the registration.

Where an institute of certified public accountants refuses to grant registration in accordance with Article 10 of this Law, it shall notify the applicant in writing within 15 days from the date of its decision. Where the applicant has objections, he or she may, within 15 days from the date of receipt of the notice, apply for reconsideration to the finance department of the State Council or to the finance department of the people's government of the province, autonomous region or municipality directly under the Central Government.

Article 12 — An applicant whose registration has been granted shall be issued, by the institute of certified public accountants, a certified public accountant certificate uniformly formulated by the finance department of the State Council.

Article 13 — Where a person who has obtained a certified public accountant certificate, apart from the circumstance prescribed in paragraph 1 of Article 11 of this Law, falls under any of the following circumstances after registration, the institute of certified public accountants that granted the registration shall revoke the registration and withdraw the certified public accountant certificate: (1) the person has completely lost the capacity for civil conduct; (2) the person has been subjected to criminal punishment; (3) the person has been subjected to administrative penalty or to a sanction of removal from office or a more severe sanction for committing a serious error in financial, accounting, auditing, enterprise management or other economic management work; or (4) the person has, of his or her own accord, ceased to practice as a certified public accountant for one full year.

Where the party whose registration has been revoked has objections, he or she may, within 15 days from the date of receipt of the notice of revocation of registration and withdrawal of the certified public accountant certificate, apply for reconsideration to the finance department of the State Council or to the finance department of the people's government of the province, autonomous region or municipality directly under the Central Government.

A person whose registration has been revoked in accordance with paragraph 1 may reapply for registration, provided that the person satisfies the provisions of Articles 9 and 10 of this Law.

Chapter III — Scope of Business and Rules

Article 14 — Certified public accountants shall undertake the following auditing business: (1) examining the accounting statements of enterprises and issuing audit reports; (2) verifying the capital of enterprises and issuing capital verification reports; (3) handling auditing business in connection with the merger, division or liquidation of enterprises and issuing relevant reports; and (4) other auditing business prescribed by laws and administrative regulations.

Reports issued by certified public accountants performing auditing business in accordance with law shall have the force of proof.

Article 15 — Certified public accountants may undertake accounting consulting and accounting services.

Article 16 — Business undertaken by certified public accountants shall be uniformly accepted by the accounting firms to which they belong, which shall sign engagement contracts with the clients.

An accounting firm shall bear civil liability for the business undertaken, in accordance with the preceding paragraph, by the certified public accountants of the firm.

Article 17 — In practicing their profession, certified public accountants may, as needed, consult the relevant accounting materials and documents of their clients, inspect the clients' business premises and facilities, and require the clients to provide other necessary assistance.

Article 18 — Where a certified public accountant has an interest in a client, he or she shall withdraw; the client shall have the right to require the certified public accountant to withdraw.

Article 19 — Certified public accountants shall be obligated to keep confidential the commercial secrets that come to their knowledge in the course of practicing their profession.

Article 20 — In performing auditing business, certified public accountants shall refuse to issue the relevant reports under any of the following circumstances: (1) the client suggests that the certified public accountant produce a false or improper attestation; (2) the client deliberately fails to provide the relevant accounting materials and documents; or (3) owing to other unreasonable demands of the client, the report to be issued by the certified public accountant cannot correctly express the important matters of financial accounting.

Article 21 — In performing auditing business, certified public accountants shall issue reports in accordance with the working procedures determined by the professional standards and rules.

When issuing reports in performing auditing business, certified public accountants shall not commit any of the following acts: (1) failing to point out, with knowledge, that the client's financial accounting treatment of an important matter is inconsistent with the relevant provisions of the State; (2) concealing, with knowledge, the fact that the client's financial accounting treatment will directly harm the interests of the users of the report or other interested parties, or issuing a false report; (3) failing to point out, with knowledge, that the client's financial accounting treatment will cause the users of the report or other interested parties to have a major misunderstanding; or (4) failing to point out, with knowledge, that there is other false content in the important matters of the client's accounting statements.

The preceding paragraph shall apply where certified public accountants should, in accordance with the professional standards and rules, have known of the acts listed in the preceding paragraph committed by their clients.

Article 22 — Certified public accountants shall not commit any of the following acts: (1) during the period of performing auditing business, buying or selling the stocks or bonds of the audited entity or purchasing other property of the audited entity or of an individual, within the period during which laws and administrative regulations prohibit the buying or selling of stocks or bonds of the audited entity or the purchase of other property of the audited entity or of an individual; (2) demanding or accepting remuneration or other property beyond what is stipulated in the engagement contract, or taking advantage of the performance of business to seek other illegitimate interests; (3) accepting a commission to collect debts; (4) allowing others to practice business in the name of the certified public accountant; (5) practicing business in two or more accounting firms at the same time; (6) advertising their abilities to solicit business; or (7) other acts in violation of laws or administrative regulations.

Chapter IV — Accounting Firms

Article 23 — An accounting firm may be established in partnership by certified public accountants.

For the debts of a partnership accounting firm, the partners shall bear liability with their respective property in accordance with the proportion of capital contributions or the agreement. The partners shall bear joint and several liability for the debts of the accounting firm.

Article 24 — An accounting firm that meets the following conditions may be a legal person with limited liability: (1) having a registered capital of not less than 300,000 yuan; (2) having a certain number of full-time practitioners, of whom at least five are certified public accountants; and (3) having the scope of business and other conditions prescribed by the finance department of the State Council.

An accounting firm with limited liability shall bear liability for its debts with all of its assets.

Article 25 — The establishment of an accounting firm shall be subject to approval by the finance department of the people's government of a province, autonomous region or municipality directly under the Central Government.

When applying for the establishment of an accounting firm, the applicant shall submit the following documents to the approving authority: (1) a written application; (2) the name, organizational structure and business premises of the accounting firm; (3) the articles of association of the accounting firm, and the partnership agreement if there is one; (4) the list of certified public accountants, their resumes and relevant certifying documents; (5) the names and resumes of the principal responsible persons and partners of the accounting firm, and relevant certifying documents; (6) the certificate of capital contribution in the case of an accounting firm with limited liability; and (7) other documents required by the approving authority.

Article 26 — The approving authority shall decide whether to grant approval within 30 days from the date of receipt of the application documents.

An accounting firm approved by the finance department of the people's government of a province, autonomous region or municipality directly under the Central Government shall be reported to the finance department of the State Council for the record. Where the finance department of the State Council discovers that an approval is improper, it shall, within 30 days from the date of receipt of the report for the record, notify the original approving authority to re-examine the matter.

Article 27 — The establishment of a branch office of an accounting firm shall be subject to approval by the finance department of the people's government of the province, autonomous region or municipality directly under the Central Government where the branch office is located.

Article 28 — Accounting firms shall pay taxes in accordance with law.

Accounting firms shall establish professional risk funds and take out professional insurance in accordance with the provisions of the finance department of the State Council.

Article 29 — Accounting firms shall not be subject to restrictions of administrative regions or industries in accepting business, except as otherwise provided by laws and administrative regulations.

Article 30 — Where a client entrusts an accounting firm to handle business, no unit or individual may intervene.

Article 31 — The provisions of Articles 18 through 21 of this Law shall apply to accounting firms.

Article 32 — Accounting firms shall not commit the acts listed in items (1) through (4), item (6) and item (7) of Article 22 of this Law.

Chapter V — Institute of Certified Public Accountants

Article 33 — Certified public accountants shall join an institute of certified public accountants.

Article 34 — The articles of association of the Chinese Institute of Certified Public Accountants shall be formulated by the national congress of members and reported to the finance department of the State Council for the record; the articles of association of the institutes of certified public accountants of provinces, autonomous regions and municipalities directly under the Central Government shall be formulated by the congresses of members of the provinces, autonomous regions and municipalities directly under the Central Government and reported to the finance departments of the people's governments of the provinces, autonomous regions and municipalities directly under the Central Government for the record.

Article 35 — The Chinese Institute of Certified Public Accountants shall, in accordance with law, draft the professional standards and rules for certified public accountants, which shall take effect after approval by the finance department of the State Council.

Article 36 — Institutes of certified public accountants shall support certified public accountants in practicing their profession in accordance with law, safeguard their lawful rights and interests, and convey their opinions and suggestions to the relevant parties.

Article 37 — Institutes of certified public accountants shall conduct annual inspections of the qualifications for office and the practice of certified public accountants.

Article 38 — Institutes of certified public accountants shall lawfully acquire the status of a social organization legal person.

Chapter VI — Legal Liability

Article 39 — Where an accounting firm violates the provisions of Articles 20 and 21 of this Law, the finance department of the people's government at or above the provincial level shall give it a warning, confiscate its illegal gains, and may impose a fine of not less than one time and not more than five times the illegal gains; where the circumstances are serious, the finance department of the people's government at or above the provincial level may also suspend its business operations or revoke it.

Where a certified public accountant violates the provisions of Articles 20 and 21 of this Law, the finance department of the people's government at or above the provincial level shall give a warning; where the circumstances are serious, the finance department of the people's government at or above the provincial level may suspend his or her practice or revoke the certified public accountant certificate.

Where an accounting firm or a certified public accountant, in violation of the provisions of Articles 20 and 21 of this Law, deliberately issues false audit reports or capital verification reports, and the act constitutes a crime, criminal liability shall be pursued in accordance with law.

Article 40 — Where a unit, without approval, undertakes the certified public accountant business prescribed in Article 14 of this Law, the finance department of the people's government at or above the provincial level shall order it to cease its illegal activities, confiscate its illegal gains, and may impose a fine of not less than one time and not more than five times the illegal gains.

Article 41 — Where a party is dissatisfied with an administrative penalty decision, the party may, within 15 days from the date of receipt of the penalty notice, apply for reconsideration to the authority at the next higher level over the authority that made the penalty decision; the party may also, within 15 days from the date of receipt of the notice of the penalty decision, directly bring a suit in a people's court.

The reconsideration authority shall make a reconsideration decision within 60 days from the date of receipt of the application for reconsideration. Where the party is dissatisfied with the reconsideration decision, the party may, within 15 days from the date of receipt of the reconsideration decision, bring a suit in a people's court. Where the reconsideration authority fails to make a reconsideration decision within the prescribed time limit, the party may, within 15 days from the date of expiration of the reconsideration period, bring a suit in a people's court.

Where the party fails to apply for reconsideration, fails to bring a suit in a people's court and fails to perform the penalty decision within the prescribed time limit, the authority that made the penalty decision may apply to a people's court for compulsory enforcement.

Article 42 — Where an accounting firm, in violation of the provisions of this Law, causes losses to its clients or other interested parties, it shall bear liability for compensation in accordance with law.

Chapter VII — Supplementary Provisions

Article 43 — Registered auditors working in audit firms who are recognized as possessing the qualifications of certified public accountants may perform the business prescribed in this Law; the measures for the recognition of their qualifications and for the supervision, guidance and administration of them shall be formulated separately by the State Council.

Article 44 — Applications by foreigners to take the uniform national examination for certified public accountants in China and for registration shall be handled in accordance with the principle of reciprocity.

Where a foreign accounting firm needs to temporarily handle relevant business within the territory of China, it shall obtain approval from the finance department of the people's government of the relevant province, autonomous region or municipality directly under the Central Government.

Article 45 — The State Council may formulate implementing regulations in accordance with this Law.

Article 46 — This Law shall come into force on January 1, 1994. The Regulations on Certified Public Accountants of the People's Republic of China promulgated by the State Council on July 3, 1986 shall be repealed simultaneously.

Disclaimer: This is an unofficial English translation of the Certified Public Accountants Law of the People's Republic of China, provided for general information and reference purposes only. While every effort has been made to ensure accuracy, the original Chinese text is the authoritative version and shall prevail in all cases. Dan Young Business Consultancy makes no warranties as to the accuracy, completeness or currency of this translation and accepts no liability for any loss or damage arising from its use. This translation does not constitute legal advice. For legal, tax or business matters, please consult a qualified professional.