Certified Public Accountants Law of the PRC

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Contents

Table of Contents 1

Chapter I — General Provisions 1

Chapter II — Examination and Registration 2

Chapter III — Business Scope and Rules 3

Chapter IV — Accounting Firms 5

Chapter V — Institutes of Certified Public Accountants 6

Chapter VI — Supervision and Administration 7

Chapter VII — Legal Liability 8

Chapter VIII — Supplementary Provisions 10

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Table of Contents

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 and the lawful rights and interests of investors, and promoting the sound development of the socialist market economy.

Article 2 — The certified public accountancy profession shall uphold the leadership of the Communist Party of China, and implement the guidelines, principles, policies, decisions and arrangements of the Party and the State, so as to serve national economic and social development.

Article 3 — Certified public accountants are practicing professionals who have lawfully obtained the certified public accountant certificate and who, upon entrustment, engage in auditing and accounting consulting and accounting service business.

Article 4 — Accounting firms are institutions established in accordance with the law to undertake certified public accountant business.

Certified public accountants shall join an accounting firm in order to practice their profession.

Article 5 — Institutes of certified public accountants are social organizations 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 6 — The finance department under the State Council and the finance departments of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government shall, in accordance with the law, supervise and guide certified public accountants, accounting firms and institutes of certified public accountants.

Article 7 — The State supports the certified public accountancy profession in strengthening integrity building, improving audit quality, expanding the service network, and raising the level of standardization and professionalization, so as to promote the sound development of the profession.

Article 8 — When practicing their profession, certified public accountants and accounting firms shall abide by laws and administrative regulations, follow professional standards, strictly observe professional ethics, and adhere to integrity, objectivity, independence and impartiality.

Certified public accountants and accounting firms that practice their profession in accordance with the law shall be protected by law, and their lawful rights and interests shall not be infringed upon.

Chapter II — Examination and Registration

Article 9 — The State implements a national unified examination system for certified public accountants. The measures for the national unified examination for certified public accountants shall be formulated by the finance department under the State Council and organized and implemented by the Chinese Institute of Certified Public Accountants.

Article 10 — Chinese citizens who have graduated from an institution of higher learning at or above the level of a junior college, or who hold an intermediate or higher technical title in accounting or a related specialty, may apply to take the national unified examination for certified public accountants; persons holding a senior technical title in accounting or a related specialty may be exempted from examination in some subjects.

Article 11 — A person who has passed the national unified examination for certified public accountants and has engaged in audit work for two or more years may apply to the institute of certified public accountants of a province, autonomous region or municipality directly under the Central Government for registration.

Except where any of the circumstances set out in Article 12 of this Law exists, the institute of certified public accountants accepting the application shall grant registration.

Article 12 — In any of the following circumstances, the institute of certified public accountants accepting the application shall not grant registration:

(1) the applicant lacks full capacity for civil conduct;

(2) the applicant has been subjected to a criminal penalty, and less than five years have elapsed from the date on which the criminal penalty was completely served to the date of application for registration;

(3) the applicant has received an administrative penalty or a sanction of removal from office or above 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 penalty or sanction decision to

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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 penalty decision to the date of application for registration;

(5) the applicant has been subjected to a penalty of lifelong prohibition from engaging in certified public accountant business; or

(6) other circumstances in which registration shall not be granted as prescribed by the rules of the finance department under the State Council.

Where the institute of certified public accountants does not grant registration in accordance with the preceding paragraph, it shall notify the applicant in writing within 15 days from the date of its decision. Where the applicant has an objection, he or she may, in accordance with the law, apply for administrative reconsideration or file an administrative lawsuit with a people's court.

Article 13 — Institutes of certified public accountants shall report the list of persons granted registration to the finance department under the State Council for filing. Where the finance department under the State Council discovers that a registration by an institute of certified public accountants does not conform to this Law, it shall notify the relevant institute of certified public accountants to revoke the registration.

Article 14 — An applicant granted registration shall be issued by the institute of certified public accountants with a certified public accountant certificate uniformly prepared by the finance department under the State Council.

Article 15 — Where a person who has obtained the certified public accountant certificate, after registration, falls under any of the following circumstances, the institute of certified public accountants that granted registration shall cancel or revoke the registration and withdraw the certified public accountant certificate:

(1) the person has completely lost capacity for civil conduct;

(2) the person has been subjected to a criminal penalty;

(3) the person has received an administrative penalty or a sanction of removal from office or above for committing a serious error in financial, accounting, auditing, enterprise management or other economic management work;

(4) the person has, of his or her own accord, ceased to practice certified public accountant business for a full year; or

(5) other circumstances in which registration shall be canceled or revoked in accordance with the law.

Where a party whose registration is canceled or revoked has an objection, he or she may, in accordance with the law, apply for administrative reconsideration or file an administrative lawsuit with a people's court.

A person whose registration has been canceled or revoked may apply for registration anew, but shall satisfy the registration conditions prescribed by this Law.

Chapter III — Business Scope and Rules

Article 16 — Certified public accountants undertake the following audit business:

(1) examining enterprise accounting statements and issuing audit reports;

(2) verifying enterprise capital and issuing capital verification reports;

(3) handling audit business in enterprise mergers, divisions and liquidations and issuing relevant reports; and

(4) other audit business prescribed by laws and administrative regulations.

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Reports issued by certified public accountants upon performing audit business in accordance with the law shall have evidentiary effect.

Article 17 — Certified public accountants may undertake accounting consulting and accounting service business.

Article 18 — Business undertaken by certified public accountants shall be uniformly accepted by the accounting firms to which they belong, and entrustment contracts shall be concluded with the principals.

Accounting firms shall bear civil liability for business undertaken by their certified public accountants in accordance with the preceding paragraph.

Article 19 — In practicing their profession, certified public accountants may, as needed, consult the relevant accounting materials and documents of the audited entity and the relevant entities and individuals, inspect the business premises and facilities of the audited entity, and require the principal or the audited entity to provide other necessary assistance.

The audited entity and the relevant entities and individuals shall be responsible for the authenticity and completeness of the accounting materials and documents they provide, and shall not provide certified public accountants with false accounting materials or documents.

Article 20 — Where a certified public accountant has an interest relationship with the principal or the audited entity, he or she shall recuse himself or herself; the principal or the audited entity shall have the right to require such recusal.

Article 21 — Certified public accountants shall bear a duty of confidentiality with respect to state secrets, work secrets, commercial secrets, personal privacy and personal information that they become aware of in practicing their profession, and shall not divulge or illegally provide such information to others.

Article 22 — When performing audit business, certified public accountants shall, in any of the following circumstances, refuse to issue the relevant report, or issue a report other than an unqualified-opinion report:

(1) the principal or the audited entity indicates that it wishes them to make a false or improper attestation;

(2) the audited entity and the relevant entities and individuals deliberately fail to provide the relevant accounting materials and documents; or

(3) because the principal or the audited entity has made other unreasonable demands, the report issued by the certified public accountant is unable to correctly state the important matters of the financial accounting.

Article 23 — When performing audit business, certified public accountants shall issue reports on the basis of the State's unified accounting system and in accordance with the working procedures determined by the professional standards and rules, and shall not issue false reports.

When issuing reports upon performing audit business, certified public accountants shall not engage in any of the following conduct:

(1) knowing that the financial and accounting treatment by the audited entity of an important matter conflicts with the relevant provisions of the State, but failing to point it out;

(2) knowing that the financial and accounting treatment of the audited entity will directly harm the interests of the report users or other interested parties, but concealing it or making a false report;

(3) knowing that the financial and accounting treatment of the audited entity will cause a major misunderstanding on the part of the report users or other interested parties, but failing to point it out;

(4) knowing that the accounting statements of the audited entity contain other false content in an important matter, but failing to point it out; or

(5) failing to maintain due professional skepticism and failing to perform the necessary audit procedures or to obtain sufficient and appropriate audit evidence, thereby issuing an inappropriate audit opinion or report.

Where the audited entity engages in any of the conduct set out in items (1) through (4) of the preceding paragraph, and the certified public accountant ought to have known of it in accordance with the professional standards and rules, the preceding paragraph shall apply.

Article 24 — Certified public accountants shall not engage in any of the following conduct:

(1) during the period of performing audit business, buying or selling the securities of the audited entity, or purchasing other property owned by the audited entity or individuals, within the period during which the purchase or sale of such securities, or the purchase of such property, is prohibited by laws and administrative regulations;

(2) demanding or accepting remuneration or other property beyond that agreed in the entrustment contract, or taking advantage of the practice of their profession to seek other improper interests;

(3) accepting entrustment to collect debts;

(4) practicing under the name of another person, or allowing another person to practice under their own name;

(5) practicing concurrently in two or more accounting firms;

(6) advertising their abilities to solicit business, or soliciting business by coercion, fraud, bribery or other improper means; or

(7) other conduct in violation of laws and administrative regulations.

Chapter IV — Accounting Firms

Article 25 — Accounting firms may be established in partnership by certified public accountants. Accounting firms established in partnership shall adopt the form of general partnership or special general partnership.

The partners of an accounting firm established in partnership shall, in accordance with the form of partnership, bear joint and several liability in accordance with the law for the debts of the accounting firm.

Article 26 — An accounting firm that satisfies the following conditions may be a legal person with limited liability:

(1) having registered capital of not less than RMB 300,000;

(2) having a certain number of full-time practitioners, including at least five certified public accountants; and

(3) other conditions prescribed by the finance department under the State Council.

A limited-liability accounting firm shall not engage in securities service business or other specific business relating to the public interest that it is prohibited from engaging in by laws, administrative regulations or the rules of the finance department under the State Council.

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

Article 27 — 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 to establish an accounting firm, the applicant shall submit the following documents to the approving authority:

(1) a written application;

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(2) the name, organizational structure and business premises of the accounting firm;

(3) the articles of association of the accounting firm, and where there is a partnership agreement, the partnership agreement shall also be submitted;

(4) the list and résumés of the certified public accountants and the relevant certification documents;

(5) the names and résumés of the principal responsible persons and partners of the accounting firm and the relevant certification documents;

(6) the capital contribution certificate of the limited-liability accounting firm; and

(7) other documents required by the finance department under the State Council.

Article 28 — The approving authority shall decide whether to grant approval within 15 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 under the State Council for filing. Where the finance department under the State Council discovers that an approval is improper, it shall, within 15 days from the date of receipt of the filing report, notify the original approving authority to conduct a reexamination.

An accounting firm shall, within 60 days from the date of approval, complete registration with the department responsible for the registration of business entities.

An accounting firm shall indicate the words "accounting firm" in its name; no other entity or individual may use the words "accounting firm" or similar wording in its name.

Article 29 — The establishment of a branch 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 is located.

Article 30 — Accounting firms shall pay taxes in accordance with the law.

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

Article 31 — Accounting firms shall not be subject to restrictions by administrative region or industry in accepting business, except where laws and administrative regulations provide otherwise.

Article 32 — The finance department under the State Council shall, together with the relevant departments under the State Council and in accordance with the provisions of the relevant laws, implement access administration over accounting firms engaging in audit services for financial activities such as the auditing of listed companies.

Article 33 — Where a principal entrusts business to an accounting firm, no entity or individual may interfere.

Article 34 — The provisions of Articles 20 through 23 of this Law shall apply to accounting firms.

Article 35 — Accounting firms shall not engage in the conduct set out in items (1) through (4), (6) and (7) of Article 24 of this Law.

Chapter V — Institutes of Certified Public Accountants

Article 36 — Certified public accountants shall join institutes of certified public accountants.

Article 37 — The articles of association of the Chinese Institute of Certified Public Accountants shall be formulated by the national congress of members and filed with the finance department under 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 congress of members of the province, autonomous region or municipality directly under the Central Government and filed with the finance department of the people's government of the province, autonomous region or municipality directly under the Central Government for the record.

Article 38 — The Chinese Institute of Certified Public Accountants shall, in accordance with the law, draft the professional standards and rules for certified public accountants, which shall take effect upon approval by the finance department under the State Council.

Article 39 — Institutes of certified public accountants shall strengthen work relating to the development plans and talent pool building of the certified public accountancy profession, intensify self-disciplinary supervision of the profession, and provide support for improving the quality of professional services, expanding business fields and innovating in the application of technology.

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

Article 40 — Institutes of certified public accountants shall conduct annual examinations of the qualifications for office and the practicing situation of certified public accountants.

Article 41 — Institutes of certified public accountants shall lawfully obtain the status of social organization legal persons.

Chapter VI — Supervision and Administration

Article 42 — The finance department under the State Council and the finance departments of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government shall, in accordance with the law, conduct supervision and inspection of the practicing situation of accounting firms and certified public accountants. The specific measures shall be formulated by the finance department under the State Council.

Article 43 — When the finance department under the State Council or the finance department of the people's government of a province, autonomous region or municipality directly under the Central Government lawfully conducts supervision and inspection of accounting firms and certified public accountants, the accounting firms and certified public accountants shall truthfully provide the relevant audit materials and documents and shall not refuse, obstruct or conceal.

Article 44 — Where the finance department under the State Council or the finance department of the people's government of a province, autonomous region or municipality directly under the Central Government discovers in the course of supervision and inspection that an accounting firm or a certified public accountant has committed a violation, it may take measures such as regulatory talks, issuing warning letters and ordering rectification within a prescribed period.

Article 45 — Accounting firms shall strengthen the administration of audit working papers and audit archives and ensure that they are authentic and complete. Audit working papers and audit archives formed by certified public accountants in performing audit business shall be kept within the territory of China. Unless otherwise provided by the State, no entity or individual may, without authorization, carry or transmit audit working papers or audit archives out of the country. The specific measures for the administration of audit working papers and audit archives shall be formulated by the finance department under the State Council together with the relevant departments.

Article 46 — The finance department under the State Council and the finance departments of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government shall strengthen informatization development and improve the efficiency and level of supervision of the

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certified public accountancy profession.

Chapter VII — Legal Liability

Article 47 — Where an accounting firm violates Articles 22 and 23 of this Law, the finance department under the State Council or the finance department of the people's government of a province, autonomous region or municipality directly under the Central Government shall order it to make rectification within a prescribed period, give it a warning and a circulated notice of criticism, and confiscate its illegal gains; where the illegal gains are RMB 500,000 or more, it may also be fined not less than one time and not more than ten times the illegal gains, and where there are no illegal gains or the illegal gains are less than RMB 500,000, it may be fined not more than RMB 5,000,000; where the circumstances are serious, its business operations may be suspended in whole or in part for one to twelve months, or its practicing license may be revoked. The directly responsible persons in charge and other directly responsible persons shall be ordered to make rectification within a prescribed period, be given a warning and a circulated notice of criticism, have their illegal gains confiscated, and may be fined not more than RMB 2,000,000.

Where a certified public accountant violates Articles 22 and 23 of this Law, he or she shall be handled in accordance with the provisions of the first paragraph of this Article concerning the directly responsible persons in charge and other directly responsible persons, and where the circumstances are serious, his or her practice may be suspended for one to twelve months, or his or her certified public accountant certificate may be revoked.

Where a certified public accountant violates Articles 22 and 23 of this Law and the violation constitutes an intentional crime, he or she shall be prohibited from engaging in certified public accountant business for life.

Article 48 — Where an accounting firm violates Article 35 of this Law, the finance department under the State Council or the finance department of the people's government of a province, autonomous region or municipality directly under the Central Government shall order it to make rectification within a prescribed period, give it a warning and a circulated notice of criticism, and confiscate its illegal gains; where the illegal gains are RMB 100,000 or more, it may also be fined not less than one time and not more than ten times the illegal gains, and where there are no illegal gains or the illegal gains are less than RMB 100,000, it may be fined not more than RMB 1,000,000; where the circumstances are serious, its business operations may be suspended in whole or in part for one to twelve months, or its practicing license may be revoked. The directly responsible persons in charge and other directly responsible persons shall be ordered to make rectification within a prescribed period, be given a warning and a circulated notice of criticism, have their illegal gains confiscated, and may be fined not more than RMB 500,000.

Where a certified public accountant violates Article 24 of this Law, he or she shall be handled in accordance with the provisions of the first paragraph of this Article concerning the directly responsible persons in charge and other directly responsible persons, and where the circumstances are serious, his or her practice may be suspended for one to twelve months, or his or her certified public accountant certificate may be revoked.

Article 49 — Where a principal or an audited entity, or any other entity or individual, colludes with or instigates an accounting firm or a certified public accountant to issue a false report in violation of Articles 22 and 23 of this Law, the finance department under the State Council or the finance department of the people's government of a province, autonomous region or municipality directly under the Central Government shall order it to make rectification within a prescribed period, give it a warning and a circulated notice of criticism, confiscate its illegal gains, and may impose a fine of not more than RMB 5,000,000. The directly responsible persons in charge and other directly responsible persons shall be ordered to make rectification within a prescribed period, be given a warning and a circulated notice of criticism, have their illegal gains confiscated, and may be fined not more than RMB 2,000,000.

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Article 50 — Where an entity or individual undertakes, without approval, the certified public accountant business prescribed in Article 16 of this Law, the finance department under the State Council or the finance department of the people's government of a province, autonomous region or municipality directly under the Central Government shall order it to cease the illegal activities and confiscate its illegal gains; where the illegal gains are RMB 500,000 or more, it may also be fined not less than one time and not more than ten times the illegal gains, and where there are no illegal gains or the illegal gains are less than RMB 500,000, it may be fined not more than RMB 5,000,000.

Where an accounting firm continues to undertake the relevant business during the period in which its business operations are suspended, or a certified public accountant continues to undertake the relevant business during the period in which his or her practice is suspended, the provisions of the first paragraph of this Article shall apply, and a warning and a circulated notice of criticism shall also be given.

Article 51 — Where an audited entity and the relevant entities and individuals provide false accounting materials or documents to certified public accountants, they shall be penalized in accordance with the provisions of the relevant laws and administrative regulations.

Article 52 — Where an accounting firm or a certified public accountant violates Article 43 of this Law, the finance department under the State Council or the finance department of the people's government of a province, autonomous region or municipality directly under the Central Government shall order it to make rectification within a prescribed period, give it a warning and a circulated notice of criticism, and may impose a fine of not more than RMB 200,000; where the circumstances are serious, a fine of not less than RMB 200,000 and not more than RMB 1,000,000 shall be imposed.

Article 53 — Where any entity or individual, in violation of Article 45 of this Law, without authorization carries or transmits audit working papers or audit archives out of the country, the finance department under the State Council or the finance department of the people's government of a province, autonomous region or municipality directly under the Central Government shall order it to make rectification within a prescribed period, give it a warning and a circulated notice of criticism, and confiscate its illegal gains; an entity may also be fined not more than RMB 2,000,000, and the directly responsible persons in charge and other directly responsible persons may be fined not more than RMB 500,000; where the entity is an accounting firm and the circumstances are serious, its business operations may be suspended in whole or in part for one to twelve months, or its practicing license may be revoked; an individual may also be fined not more than RMB 500,000, and where the individual is a certified public accountant and the circumstances are serious, his or her practice may be suspended for one to twelve months, or his or her certified public accountant certificate may be revoked.

Article 54 — Where a staff member of a finance department or an institute of certified public accountants abuses power, neglects duties, engages in malpractice for personal gain, or divulges state secrets, work secrets, commercial secrets, personal privacy or personal information in the supervision and administration of the certified public accountancy profession, he or she shall be given a sanction in accordance with the law.

Article 55 — Where a party refuses to accept an administrative penalty decision, he or she may, in accordance with the law, apply for administrative reconsideration or file an administrative lawsuit with a people's court.

Where a party neither applies for administrative reconsideration nor files an administrative lawsuit with a people's court within the prescribed period, and fails to perform the penalty decision, the authority that made the penalty decision may apply to a people's court for compulsory enforcement.

Article 56 — Where an accounting firm, in violation of this Law, causes losses to a principal, an audited entity or other interested parties, it shall bear liability for compensation in accordance with the law.

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Article 57 — Where a violation of this Law constitutes a crime, criminal liability shall be pursued in accordance with the law.

Chapter VIII — Supplementary Provisions

Article 58 — Foreign nationals who apply to take the national unified examination for certified public accountants of 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 be subject to approval by the finance department of the people's government of the relevant province, autonomous region or municipality directly under the Central Government.

Article 59 — The State Council may formulate implementation regulations in accordance with this Law.

Article 60 — This Law shall enter into force on January 1, 1994. The Regulations of the People's Republic of China on Certified Public Accountants issued by the State Council on July 3, 1986 shall be repealed simultaneously.

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