# Foreign Investment Law of the PRC

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## Contents


Table of Contents . . . . . 1

Chapter I — General Provisions . . . . . 1

Chapter II — Investment Promotion . . . . . 2

Chapter III — Investment Protection . . . . . 3

Chapter IV — Investment Management . . . . . 4

Chapter V — Legal Liability . . . . . 5

Chapter VI — Supplementary Provisions . . . . . 5



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### Table of Contents


- Chapter I — General Provisions
- Chapter II — Investment Promotion
- Chapter III — Investment Protection
- Chapter IV — Investment Management
- Chapter V — Legal Liability
- Chapter VI — Supplementary Provisions


## Chapter I — General Provisions

Article 1 — This Law is enacted in accordance with the Constitution to further expand opening-up, actively promote foreign investment, protect the lawful rights and interests of foreign investors, regulate the administration of foreign investment, promote the formation of a new pattern of comprehensive opening-up, and facilitate the sound development of the socialist market economy.

Article 2 — This Law applies to foreign investment within the territory of the People's Republic of China. For the purposes of this Law, "foreign investment" means investment activities directly or indirectly carried out by a foreign natural person, enterprise, or other organization (hereinafter referred to as "foreign investor") within the territory of China, including the following circumstances: (1) a foreign investor establishes a foreign-funded enterprise within the territory of China, either alone or jointly with any other investor; (2) a foreign investor acquires shares, equity interests, property shares, or other similar rights and interests of an enterprise within the territory of China; (3) a foreign investor invests in and initiates a new project within the territory of China, either alone or jointly with any other investor; and (4) investment in any other manner as

provided by laws, administrative regulations, or the State Council.

Article 3 — The State shall adhere to the basic state policy of opening-up and encourage foreign investors to invest in accordance with the law within the territory of China. The State shall implement a high-level policy of investment liberalization and facilitation, and establish and improve a mechanism for foreign investment promotion and protection, thereby creating a stable, transparent, predictable, and level playing field for foreign investment.

Article 4 — The State shall implement the management system of pre-establishment national treatment plus a negative list for foreign investment. "Pre-establishment national treatment" means the treatment accorded to foreign investors and their investments during the investment access stage, which shall not be less favorable than that accorded to domestic investors and their investments. "Negative list" means the special administrative measures for foreign investment access in specific fields as designated by the State. The State shall grant national treatment to foreign investment beyond the negative list. The negative list shall be issued by or with the approval of the State Council. Where international treaties or agreements to which the People's Republic of China is a party provide for more favorable treatment for access by foreign investors, the relevant provisions may apply.

Article 5 — The State shall protect the investment, income, and other lawful rights and interests of foreign investors within the territory of China in accordance with the law.

Article 6 — Foreign investors and foreign-funded enterprises conducting investment activities within the territory of China shall comply with the laws and regulations of the People's Republic of China and shall not endanger the national security of China or harm the public interest.

Article 7 — The competent departments for commerce and investment under the State Council shall, in accordance with the division of responsibilities, carry out work relating to the promotion, protection, and administration of foreign investment. Other relevant departments of the State Council shall, within the scope of their respective duties, carry out work relating to the promotion, protection, and administration of foreign investment. The relevant departments of the local people's governments at or above the county level shall, in accordance with laws and regulations and the division of responsibilities determined by the local people's governments at the same level, carry out work relating to the promotion, protection, and administration of foreign investment.

Article 8 — Foreign-funded enterprises shall be lawfully entitled to carry out operational activities equally with domestic enterprises through fair competition. The State shall protect the lawful rights and interests of foreign-funded enterprises and shall not impose any discriminatory treatment on them.

Article 9 — The State shall establish a comprehensive service system for foreign investment to provide foreign investors and foreign-funded enterprises with services relating to laws and regulations, policy measures, investment project information, and other types of consultation.

## Chapter II — Investment Promotion

Article 10 — The State shall, in accordance with the law, guarantee the national treatment of foreign-funded enterprises in respect of government fund arrangements, land supply, tax reductions and exemptions, fee reductions and exemptions, licensing procedures, and other areas, except as otherwise provided in the negative list for foreign investment access.

Article 11 — The State shall support the participation of foreign-funded enterprises in the formulation of standards on an equal footing in accordance with the law, and shall strengthen information disclosure and supervision over social opinions in the formulation of standards. Mandatory standards formulated by the State shall apply equally to foreign-funded enterprises and domestic enterprises, in accordance with the law.

Article 12 — The State shall guarantee that foreign-funded enterprises participate in government procurement activities through fair competition in accordance with the law. Products produced and services provided by foreign-funded enterprises within the territory of China shall be treated equally in government procurement in accordance with the law.

Article 13 — The State may, as needed, establish special economic zones or pilot free trade zones, and may implement pilot foreign investment policies and measures in specific regions. Such pilot measures may be promoted nationwide upon proven effectiveness.

Article 14 — The State shall, in light of the needs of national economic and social development, encourage and guide foreign investment in specific industries, fields, and regions. Foreign investors and foreign-funded enterprises may enjoy preferential treatment in accordance with laws, administrative regulations, or the provisions of the State Council.

Article 15 — The State shall ensure that foreign-funded enterprises have equal access to public services such as financing and credit in accordance with the law, and equal participation in relevant industry assessments, qualification certification, and project bidding.

Article 16 — Foreign investors may lawfully and freely remit into or out of China, in RMB or any foreign currency, their contributions, profits, capital gains, income from asset disposal, intellectual property royalties, lawfully obtained compensation or indemnification, liquidation proceeds, and other funds.

Article 17 — Foreign-funded enterprises may raise funds through public offerings of stocks, corporate bonds, and other securities, and may also raise funds through loans or other means. The issuance of bonds by foreign-funded enterprises outside China shall be handled in accordance with relevant state regulations.

Article 18 — Local people's governments at or above the county level may, in accordance with laws, administrative regulations, and local regulations, formulate policies and measures for promoting and facilitating foreign investment within their statutory authority.

Article 19 — People's governments at all levels and their relevant departments shall, in accordance with the principles of facilitation, efficiency, and transparency, streamline handling procedures, improve service efficiency, optimize government services, and further enhance the level of foreign investment services. Relevant competent departments shall prepare and publish foreign investment guidelines, providing foreign investors and foreign-funded enterprises with services and facilitation in a timely manner.

## Chapter III — Investment Protection

Article 20 — The State shall not expropriate any investment by foreign investors. Under special circumstances, the State may expropriate or requisition the investment of foreign investors in the public interest in accordance with the law. Expropriation or requisition shall be conducted in accordance with legally prescribed procedures and shall be compensated in a timely, fair, and reasonable manner.

Article 21 — Foreign investors may, in accordance with the law, freely remit their capital contributions, profits, capital gains, income from asset disposal, intellectual property royalties, lawfully obtained compensation or indemnification, liquidation proceeds, and other funds contributed or earned within the territory of China into or out of China in RMB or any foreign currency. No entity or individual shall illegally restrict such remittance in terms of currency, amount, or frequency.

Article 22 — The State shall protect the intellectual property rights of foreign investors and foreign-funded enterprises, protect the lawful rights and interests of holders of intellectual property rights and relevant right holders, and shall, in accordance with the law, hold strictly liable any infringement of intellectual property rights and encourage technological cooperation based on voluntary principles and commercial rules. In the course of foreign investment, government agencies and their functionaries shall keep confidential the trade secrets of foreign investors and foreign-funded enterprises that come to their knowledge in the performance



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of their duties, and shall not divulge or illegally provide such secrets to others. Administrative agencies shall be prohibited from compelling any transfer of technology by foreign investors or foreign-funded enterprises by any means.

Article 23 — Government agencies and their functionaries shall abide by the non-interference principle in enterprise operations, ensure fair access to factors of production, and shall not, in violation of laws and regulations, interfere with the production and operation activities of foreign-funded enterprises.

Article 24 — People's governments at all levels and their relevant departments shall strictly honor policy commitments and various types of contracts lawfully entered into with foreign investors and foreign-funded enterprises in connection with foreign investment. Where policy commitments or contractual provisions need to be altered due to national interests or public interests, such alteration shall be made in accordance with statutory authority and procedures, and foreign investors and foreign-funded enterprises shall be compensated in accordance with the law for any losses suffered as a result.

Article 25 — Where local people's governments at all levels and their relevant departments fail to fulfill policy commitments and various types of contracts lawfully entered into with foreign investors or foreign-funded enterprises, or fail to perform in accordance with law, they shall assume legal liability. Foreign investors and foreign-funded enterprises are entitled to file complaints, apply for administrative reconsideration, or bring administrative litigation to protect their rights and interests.

Article 26 — The State shall establish a complaint mechanism for foreign-funded enterprises, promptly handling complaints raised by foreign-funded enterprises or their investors, and coordinating the improvement of relevant policy measures. If a foreign-funded enterprise or its investor considers that an administrative act of an administrative organ or its functionary infringes upon its lawful rights and interests, it may apply for coordination and resolution through the complaint mechanism for foreign-funded enterprises. Where it still refuses to accept the outcome of coordination, it may apply for administrative reconsideration or bring an administrative lawsuit in accordance with the law.

Article 27 — Foreign-funded enterprises may, in accordance with the law, establish and voluntarily participate in chambers of commerce and industry associations. Chambers of commerce and industry associations shall carry out relevant activities in accordance with laws, regulations, and their articles of association, and safeguard the lawful rights and interests of their members.

## Chapter IV — Investment Management

Article 28 — Where a foreign investor invests in a field for which special administrative measures for foreign investment access (the negative list) are required, the foreign investor shall obtain the relevant license or permit in accordance with the law, and the relevant administrative authority shall review the application against conditions equally applicable to domestic investors, unless otherwise provided by law.

Article 29 — Where a foreign investor invests in a field beyond the negative list, the foreign investor and its investment shall be subject to registration administration in accordance with the law, and shall not be required to obtain prior approval.

Article 30 — Where a foreign investor invests in a field or industry within the negative list that contains shareholding ratio restrictions, the foreign investor's actual controlling shareholder shall comply with the relevant provisions.

Article 31 — Where a foreign investor acquires a company within the territory of China through a merger or acquisition, it shall comply with the provisions of the Anti-Monopoly Law of the People's Republic of China and accept the concentration of undertakings review.

Article 32 — Where laws and administrative regulations provide for approval requirements for foreign investment access in areas beyond the negative list, such requirements shall be abolished. Where foreign



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investment involves national security review matters, it shall be subject to national security review in accordance with the law.

Article 33 — The State shall establish a foreign investment information reporting system. Foreign investors or foreign-funded enterprises shall submit investment information to the competent commerce authorities through the enterprise registration system and the enterprise credit information publicity system. The content and scope of foreign investment information reporting shall be determined in accordance with the principle of necessity and strict control. Where the information submitted through departmental information sharing can be obtained, it shall not be required to be submitted again.

Article 34 — Foreign-funded enterprises shall comply with the laws and regulations of the State concerning labor protection, social insurance, taxation, accounting, foreign exchange, and other matters. Relevant departments of the State shall, in accordance with the law, strengthen supervision and inspection of foreign-funded enterprises.

Article 35 — The State shall establish a foreign investment security review system, conducting security reviews of foreign investment that affects or may affect national security. The security review decisions made in accordance with the law shall be final.

## Chapter V — Legal Liability

Article 36 — Where a foreign investor invests in a field specified in the negative list without obtaining the relevant license or permit, the relevant competent authority shall order it to cease the investment activity, dispose of the shares and assets or take other necessary measures within a prescribed time limit, and restore the status quo ante. Where there are illegal gains, such gains shall be confiscated. Where the investment activity of the foreign investor violates any special administrative measure for foreign investment access specified in the negative list, the provisions of the preceding paragraph shall apply in addition to the preceding paragraph.

Article 37 — Where a foreign investor or foreign-funded enterprise violates the provisions of this Law and fails to submit investment information in accordance with the foreign investment information reporting system, the competent commerce authority shall order it to make corrections within a prescribed time limit. If it fails to make corrections within the prescribed time limit, a fine of not less than RMB 100,000 yuan but not more than RMB 500,000 yuan shall be imposed.

Article 38 — Where foreign investors or foreign-funded enterprises violate any law or regulation, the relevant authorities shall investigate and handle such violations in accordance with the law, and shall include such violations in the credit information system in accordance with relevant state regulations.

Article 39 — Where a functionary of a government agency abuses power, neglects duties, or engages in malpractice for personal gain in the course of foreign investment promotion, protection, or administration, or divulges or illegally provides to others trade secrets of foreign investors or foreign-funded enterprises that come to their knowledge in the performance of their duties, disciplinary action shall be taken in accordance with the law. Where a crime is constituted, criminal liability shall be pursued in accordance with the law.

## Chapter VI — Supplementary Provisions

Article 40 — Where any foreign investor invests in the financial market such as banking, securities, or insurance within the territory of China, or invests in the financial sector such as securities, futures, or trusts, the provisions of relevant laws and administrative regulations shall apply. Where there are no provisions in such laws or administrative regulations, this Law shall apply.

Article 41 — The Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures, the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises, and the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures shall be repealed simultaneously with the entry into



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force of this Law. Enterprises established in accordance with the Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures, the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises, and the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures that were in existence before the entry into force of this Law may retain their original organizational form and corporate governance structure for a period of five years from the date of entry into force of this Law. The specific implementation measures shall be formulated by the State Council.

Article 42 — This Law shall enter into force on January 1, 2020.

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