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I. The New VAT Law

China's first Value-Added Tax Law of the People's Republic of China (the "VAT Law") was adopted on 25 December 2024 and entered into force on 1 January 2026. Although the new law largely preserves the existing VAT framework, several legislative developments are of particular relevance to foreign investors intending to invest in or expand their operations in China. The key points are summarized below.

- **Introduction of a Unified Concept of "Taxable Transactions"**

The VAT Law introduces the unified concept of "taxable transactions", representing a structural refinement of the legislative framework.

Pursuant to Article 3 of the VAT Law, VAT shall be levied on the following activities: the sale of goods; the provision of services; the transfer of intangible assets; the sale of immovable property; the importation of goods. By consolidating previously fragmented categories of taxable activities under the overarching concept of "taxable transactions," the new law simplifies the statutory structure and enhances the conceptual clarity of the VAT system.

- **Clarification of the Place-of-Taxation Rules**

The VAT Law further clarifies the rules governing the place where taxable transactions are deemed to occur, which is of particular relevance for cross-border transactions.

According to Article 4, a taxable transaction shall be deemed to occur within the territory of China under the following circumstances:

1. In the case of the sale of goods, where the place of dispatch or location of the goods is within China;
2. In the case of the sale or lease of immovable property, or the transfer of natural resource usage rights, where the immovable property or natural resources are located within China;

3. In the case of the sale of financial products, where the financial products are issued within China, or the seller is a domestic entity or individual;
4. In the case of the provision of services or the transfer of intangible assets, where the services or intangible assets are consumed within China, or the seller is a domestic entity or individual.

- **Clarification of the Scope of “Deemed Taxable Transactions”**

The VAT Law also clarifies the circumstances under which certain activities will be treated as “deemed taxable transactions.”

Article 5 provides that VAT shall be levied on the following circumstances: Where entities or sole proprietorships use self-produced goods or goods processed on a commissioned basis for collective welfare or personal consumption; Where entities or sole proprietorships transfer goods **without consideration**; Where entities or individuals transfer intangible assets, immovable property, or financial products without consideration.

For multinational enterprises operating complex supply chains or engaging in intra-group arrangements, the awareness of these rules may help reduce unexpected VAT risks arising from affiliated transactions that are not conducted at arm’s length.

- **Retention of the Multi-Tier VAT Rate Structure**

The VAT Law largely preserves China’s existing multi-tier VAT rate structure. In practice, the principal VAT rates remain as follows:

13% – generally applicable to the sale of goods, processing, repair and maintenance services, and the leasing of tangible movable property; **9%** – applicable to transportation services, construction services, the leasing of immovable property, the sale of immovable property, and the transfer of land use rights; **6%** – applicable to modern services and the transfer of intangible assets.

The new law also continues to apply the **zero-rate** regime for exports. Article 33 provides that taxpayers exporting goods or engaging in cross-border sales of services or intangible assets may, in accordance with relevant state regulations, apply for VAT exemption or refund.

This mechanism helps maintain the international competitiveness of foreign-invested manufacturing enterprises engaged in export-oriented activities.

- **Conclusion**

Overall, the VAT Law largely maintains the existing VAT framework, while providing legislative confirmation of existing rules and clarifying certain issues that were previously addressed through administrative regulations and policy guidance.

II. Work Plan for Optimizing the Qualified Foreign Investor System

On 27 October 2025, the China Securities Regulatory Commission (the "CSRC") issued the Work Plan for Optimizing the Qualified Foreign Investor System (the "Work Plan"). The Work Plan sets out eleven specific measures aimed at further enhancing the attractiveness of the Qualified Foreign Investor ("QFI") regulatory regime in China's capital markets.

- **Expansion of Investment Scope and Improvement of Risk Management Tools**

As of October 9, 2025, QFIs are permitted to participate in ETF options trading to meet reasonable hedging needs. Additional commodity futures and options products will be introduced to support foreign investors' multi-asset allocation strategies and risk hedging requirements, although the specific timeline for such introduction has not yet been announced.

- **Clarification of Policy Application Rules**

The Action Plan proposes to give foreign-funded public funds the same treatment as domestic public funds by calculating short-term trading shareholding ratios at the product-account level, with the aim of facilitating investment by large overseas asset managers. However, the specific implementation rules, including whether foreign-funded public funds will be subject to a separate application procedure, remain unclear. Further implementing rules will be needed to assess the practical impact of this policy.

- **Conclusion**

The QFI regime remains the primary channel for foreign participation in China's capital markets. While the Work Plan addresses several practical concerns raised by foreign investors, the specific implementation rules and their impact on market participants remain to be clarified. Investors should therefore continue to monitor subsequent regulatory developments and assess any necessary compliance adjustments accordingly.

III. The Maritime Law of the PRC (2025 Revision)

On October 28, 2025, the newly revised Maritime Law (the "New Maritime Law") was officially released, which has come into effect on May 1, 2026. This article aims to provide a brief overview of the main content of the New Maritime Law, with a focus on key revisions relevant to shipping and trade.

- **Unification of the "Dual-Track" Scope of Application**

The pre-revision Maritime Law (the "Old Maritime Law") followed a "dual-track" system. International shipping was governed by the Maritime Law, while domestic shipping fell under the Civil Code. The New Maritime Law unifies both under one legal framework, meaning domestic water transport now follows the basic rules of the Maritime Law. However, carriers in domestic shipping still face stricter requirements. For example, a domestic carrier must exercise due diligence to keep the ship seaworthy throughout the voyage, rather than only before and at the beginning of the voyage. In addition, failure to deliver within a reasonable time may constitute delay in domestic carriage even where the contract does not specify a delivery deadline.

- **Key Adjustments to Carrier Liability**

(1) Under the Old Maritime Law, carriers were exempt from liability for loss or damage arising from "fire," unless the fire was caused by the carrier's actual fault. The provision did not expressly specify where the fire had to occur. The New Maritime Law narrows this exemption by expressly limiting it to "fire on board the ship," meaning that the carrier may no longer rely on this defence where the loss or damage results from a fire occurring outside the vessel. In addition, this exemption is not available in domestic carriage.

(2) Under the Old Maritime Law, the actual value of lost or damaged goods was calculated by reference to their value at the time of shipment, plus insurance and freight. The New Maritime Law instead uses the market price at the place and time of delivery.

(3) Under the Old Maritime Law, the carrier could exercise a lien over "its goods," which was generally interpreted as requiring the goods to be owned by the person liable for the relevant charges. This limitation created practical difficulties where the contractual shipper was not the actual owner of the goods. Article 94 of the New Maritime Law replaces "its goods" with "corresponding goods," shifting the focus from ownership of the goods to the connection between the goods and the underlying maritime claim. As a result, the carrier may exercise a lien over goods corresponding to the unpaid freight or other charges, even

where the goods are not owned by the debtor, although issues concerning third-party rights may still require further judicial clarification.

- **Governing Law**

Article 295 of the New Maritime Law maintains party autonomy in choosing the governing law but introduces a mandatory application rule for China-connected international contracts of carriage of goods by sea. Where either the port of loading or the port of discharge is located in China, Chapter IV of the New Maritime Law shall apply to matters within its scope, such as carrier liability, liability limits, and cargo valuation, notwithstanding any foreign-law clause in the contract. This does not invalidate the foreign-law clause as a whole, as matters outside the scope of Chapter IV may continue to be governed by the parties' chosen law. However, the precise scope and practical application of this mandatory rule will require further clarification through judicial and arbitral practice.

- **Conclusion**

The New Maritime Law changes several rules relevant to domestic and international carriage of goods by sea, including carrier liability, cargo valuation, liens, and governing law. Enterprises involved in China-related shipping should review their contractual terms and dispute-resolution arrangements in light of these changes.

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