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I. Provisions on the Simplified Measures for Personal Information Protection by Small-scale Personal Information Processors Promulgated

The **Provisions on Simplified Measures for Personal Information Protection by Small-scale Personal Information Processors** (the "**Provisions**") took effect on 1 September 2026.

For personal information processors that process personal information of fewer than 100,000 individuals (the "**Small Processors**"), the Provisions did not entirely exempt them from fulfilling their basic obligations under the Personal Information Protection Law, the Regulation on Network Data Security Management and other applicable laws and administrative regulations. Rather, the Provisions have simplified multiple aspects of Small Processors' obligations, thereby reducing their compliance costs where applicable. The Provisions apply to all defined Small Processors that process personal information within the territory of the Chinese mainland, including VIEs.

The Provisions have also simplified for the Small Processors procedures related to compliance audits and personal information protection impact assessments. Where specified conditions are met, the Small Processors are exempted from certain data-export compliance mechanisms. In addition, the Provisions have introduced simplified notification procedures in certain and limited corporate restructuring and personal information security scenarios.

The determination of a "Small Processor" under the Provisions is not based on size, registered capital or operating revenue of the enterprise. Instead, it is assessed based on the cumulative number of natural persons whose personal information is currently being processed by the processor. Personal information that was historically processed but has been deleted is not counted for the purpose of such determination. As a result, the subject of the Provisions covers a broad range of market

participants, for example micro, small and medium-sized enterprises and individual operators such as small restaurants, retail stores and clinics. Enterprises that mainly operate in R&D, design or manufacturing and therefore handle even very limited personal information may also fall within the scope of application. The Provisions could also apply to small social organisations or other entities that lawfully collect and thus process personal information.

The Provisions do not expressly address how they apply to corporate groups in which personal information is processed by separate legal entities within the same corporate group. In light of general principles of company law and the Regulation's legislative purpose, the standard is likely to focus on the volume of personal information processed and whether it is aggregated and processed at the group level. Where each entity within the group independently determines the purposes and means of processing and processes personal information relating to fewer than 100,000 individuals, each entity should qualify as a Small Processor, and the Provisions likely will apply. However, where the group aggregates and processes personal information centrally, such as through a data platform operated by the group headquarters, the aggregated processing volume should be considered. If the total exceeds 100,000 individuals, the Provisions likely will not apply. If the total reaches 10 million individuals or meets other special requirements, the provisions for large personal information processors ("**Large Processors**") likely will apply. The public consultation period for these provisions has closed in early September, and the final version is expected to be issued shortly. We will continue to monitor the promulgation and implementation of provisions for Large Processors.

II. State Council Unveils the Provisions on Exit and Entry Administration

On July 22, 2026, the State Council issued the Provisions on Exit and Entry Administration (the "Provisions"), which took effect on September 15, 2026. The Provisions introduced more detailed rules under the existing Exit and Entry Administration Law in respect of application verification, exit and entry restrictions and intermediary services.

Under the Provisions, immigration and visa authorities may request supporting materials, including electronic data, to verify an applicant's identity and the purpose of the application. Entities or individuals issuing invitation letters or other application materials are responsible for the authenticity of their contents. Foreign nationals who submit false materials or statements when applying abroad for a Chinese visa or for entry at a port may be prohibited from entering China for one to five years. In addition, foreign nationals subject to countermeasures, associated with unreliable entity or malicious entity, or otherwise subject to other restrictions, may be denied the exit and entry documents or other required entry permit for China, as required by law. Chinese citizens who violate export control or technology import and export rules in a manner that may endanger national industrial or technological security may be prohibited from leaving China.

The Provisions also introduced recordation requirements for institutions and personnel providing exit and entry intermediary services. Newly established institutions must complete recordation within 15 days, while existing service providers must do so within 90 days since the promulgation of the Provisions. Overseas enterprises and institutions are prohibited from providing such services within China.

Upon the entry into force of the Provisions, individuals and enterprises should verify the recordation status of any intermediary service providers engaged. In addition, they should carefully review their cross-

border travel arrangements to ensure that invitation letters and other application materials accurately reflect the purpose of travel and the planned activities. False materials or statements may lead to refusal of exit or entry. Where the activities involve controlled goods or technology, the review should also cover compliance with the applicable export control and technology import and export rules.

III. Announcement on Individual Income Tax Matters Concerning Offshore Trusts

On 24 July 2026, the Ministry of Finance and the State Taxation Administration issued Announcement No. 21 of 2026 (the "**Announcement**"), effective immediately. It covers personal income tax obligations on trusts established under foreign law and other foreign legal arrangements performing substantially similar functions.

For PRC individual income tax purposes, a resident individual is a person domiciled in China, or a non-domiciled person present in China for at least 183 days in a tax year. A non-resident is a non-domiciled person present for fewer than 183 days. Domicile may arise from household registration, family or economic interests. Foreign nationality or overseas residency does not necessarily preclude PRC residence if the person's principal economic interests remain in China. A resident's contribution of property to an offshore trust is generally treated as a transfer taxable at 20% on market value less basis and reasonable expenses. During the trust's existence, income of the trust and certain entities it holds, controls or manages is attributed annually to the resident, whether distributed or not. Income from different categories cannot be offset against each other; management and professional fees are non-deductibles, and transfer losses can't be carried forward. Non-residents are generally taxed only on contributions of China-sourced property. However, look-through or deemed-distribution rules may apply where a resident controls the trust or receives economic benefits. Specifically, where a non-resident contributes property that a PRC tax

resident actually controls to an offshore trust, the controlling PRC tax resident is treated for PRC individual income tax purposes as having made the contribution. Separately, a PRC tax resident is treated as receiving a distribution from an offshore trust funded by a non-resident if the trust pays that individual's personal expenses or allows that individual to use trust property free of charge.

In summary, the Announcement has implications for both Chinese and foreign nationals, depending on their PRC tax residence status and their involvement in offshore trusts. PRC tax residents who contribute assets, directly or through nominees, or who are treated as contributors because they actually control the contributed property, should plan for annual tax payments even where no cash is distributed. For PRC tax residents receiving distributions or other economic benefits from trusts funded by non-residents, identifying taxable receipts and documenting their value are important for accurate tax reporting. For non-resident contributors, the key question is whether transferring assets into an offshore trust generates China-sourced taxable gains. Where tax is payable, they need to file the required tax returns and pay the tax on time.

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