



Newsletter

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May 31, 2025

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Update

GACC Expands Scope of “Two-Step Declaration” Customs Clearance Model Expanded to All Customs Authorities Nationwide

On June 4, 2025, the General Administration of Customs of the People’s Republic of China (GACC) issued the *Announcement on the Comprehensive Promotion of the “Two-Step Declaration” Customs Clearance Mode* (the “Announcement”), effective from June 16, 2025. Other related matters shall be implemented in accordance with the Announcement of the General Administration of Customs on Launching the Pilot Reform for Optimization of Two-Step Declaration (GAC Announcement No. 44 of 2025).

The Announcement clarifies that the application scope of the “Two-Step Declaration” clearance model has been expanded to all customs authorities nationwide. When importers or their agents handle import

customs clearance procedures, they may select the “Two-Step Declaration” clearance model through the “Single Window” platform for international trade or the integrated online service platform of “Internet Plus Customs”. In case of any inconsistencies between this Announcement and the Announcement of the General Administration of Customs on Launching the Pilot Reform of Two-Step Declaration (GAC Announcement No. 127 of 2019) and the Announcement of the General Administration of Customs on Comprehensive Promotion of Two-Step Declaration Reform (GAC Announcement No. 216 of 2019), this Announcement shall prevail.

MIIT Called for Cultivating Leading AI Enterprises and Enhancing Fiscal and Tax Support

On June 3, 2025, the Ministry of Industry and Information Technology (MIIT) Minister Li Licheng presided over a meeting to study approaches and measures for advancing the development of the artificial intelligence (AI) industry and empowering new industrialization.

The meeting emphasized the need to strengthen computing power supply, coordinate the layout of general-purpose large models and industry-specific large models, accelerate the establishment of high-quality industry-specific datasets, and improve the intelligent level of key products and equipment; to promote the implementation of large models in key manufacturing industries, cultivate AI-enabled application service providers, and accelerate the deployment and iterative upgrading of industry-specific large models; and to focus on cultivating leading AI enterprises, support the specialized, refined, distinctive, and innovative development of small and medium-sized AI enterprises. It called for enhancing fiscal and tax policy support, guiding social capital to increase investment, accelerating the formulation of management and service measures for AI technology ethics, and steering the healthy and orderly development of the industry.

China to Improve Market-Based Allocation System for Resource and Environmental Factors

On May 14, 2025, the *Opinions of the General Office of the CPC Central Committee and the General Office of the State Council on Improving the Market-Based Allocation System of Resource and Environmental Factors* (the “Opinions”) was officially made public, making clear that the main objectives are: by 2027, the trading systems for carbon emission rights and water rights will be basically improved, and the trading system for pollutant discharge rights will be established and improved. The Opinions took effect on May 14, 2025.

The Opinions emphasise that market supervision will be increased. Strengthen the supervision of resource and environmental factors trading institutions, trading entities, third-party service providers, etc., to investigate and deal with data forgery, illegal trading, market manipulation and other acts in accordance with the law. Strengthen the whole-process supervision of water rights trading and enhance the supervision of third-party impacts and ecological impacts of water rights trading activities; improve the financial support system. Actively and steadily promote financial institutions’ participation in the construction of resource and environmental factors trading markets, and guide financial institutions to

develop green financial products and services related to resource and environmental factors, such as green credit, green insurance, and green bonds, under the premise of legality, risk control, and commercial sustainability. Promote financial institutions to standardise the disclosure of information related to green finance. Promote the unified registration and publication of guarantee businesses related to carbon emission rights, water rights, and pollutant discharge rights.

MOFCOM to Promote High-Quality Development of National Economic and Technological Development Zones

On May 21, 2025, the Ministry of Commerce (MOFCOM) issued the *Work Plan for Deepening Reform and Innovation in National Economic and Technological Development Zones to Lead High-Quality Development with High-Level Openness* (the “Plan”), which specifies sixteen items across five areas. The Plan took effect on May 21, 2025.

The Plan calls for improving the quality of foreign investment. Foreign investment projects in integrated circuits, biomedicine, high-end equipment manufacturing, and other sectors in national economic and technological development zones are prioritised for inclusion in the list of major and key foreign investment projects. All types of funds, including foreign-funded funds, are encouraged to invest in emerging industries within national economic and technological development zones to cultivate and incubate small and medium-sized enterprises (SMEs). National economic and technological development zones are guided to implement preferential tax policies such as deferred taxation on reinvested profits distributed to foreign investors, and financial support is strengthened. All regions are permitted to coordinate and utilise funds from local government special bonds and other sources to support the construction of parks and industrial projects in eligible national economic and technological development zones. Eligible development and construction entities in national economic and technological development zones are supported to expand financing channels through listing and other means. Financing support for sci-tech SMEs is precisely enhanced based on their actual contributions to innovation.

CSRC Revises Regulatory Measures and Supporting Guidelines for Major Asset Restructuring of Listed Companies

On May 16, 2025, the China Securities Regulatory Commission (CSRC) issued the *Decision on Amending the Measures for the Administration of Major Asset Restructuring of Listed Companies* (the “Amendments”), which came into effect upon publication.

The Amendments primarily include: first, establishing a phased payment mechanism for restructuring share consideration, extending the validity period of registration decisions for one-time registration and phased issuance of shares to purchase assets to 48 months. Second, enhancing tolerance for regulatory oversight of changes in financial conditions, horizontal competition, and related-party transactions. Third, introducing a simplified review procedure for restructuring. Fourth, clarifying lock-up period requirements for absorption mergers between listed companies. Fifth, encouraging private equity funds to participate in listed company mergers and acquisitions. Additionally, the wording of relevant provisions in

the Restructuring Measures has been adaptively adjusted in accordance with the new Company Law and other regulations. Following the revision and release of the Restructuring Measures, all measures in the CSRC's *Opinions on Deepening Market Reform of Listed Company Mergers and Acquisitions* have been fully implemented.

On the same day, CSRC also issued the *Regulatory Guidelines for Listed Companies No. 9 — Regulatory Requirements for Planning and Implementing Major Asset Restructuring of Listed Companies* (the “Guidelines”), effective upon publication. The Guidelines are the revised version of CSRC's first issuance of Regulatory Guidelines for Listed Companies No. 9 in 2023.

China Issues Guiding Opinions on Judicial Safeguards for Capital Market Development

On May 15, the Supreme People's Court and the China Securities Regulatory Commission (CSRC) jointly issued the *Guiding Opinions on Strict and Impartial Law Enforcement and Judicial Services to Safeguard High-Quality Development of the Capital Market* (the “Opinions”). The Opinions serve as a programmatic document for judicial safeguards in the reform and development of the capital market. The Opinions came into effect upon publication.

The Opinions put forward 23 provisions across five areas: overall requirements, investor protection, regulation of market participants, judicial-administrative coordination, and organizational implementation safeguards.

The Opinions stipulate that where judicial practice requires expertise from other disciplines such as economics, finance, accounting, and auditing, the opinions of professionals shall be solicited. It calls for cracking down on fraudulent issuance and fraud in financial information disclosure, and strictly pursuing legal liability against issuers, their controlling shareholders, actual controllers, relevant intermediary institutions, and third parties (such as suppliers) that abet or assist in financial information disclosure fraud. The civil liability system for false statements shall be improved, with industry practice standards and business rules serving as the primary basis to further consolidate the responsibilities of intermediary institutions.

The Opinions emphasize advancing the improvement of diversified dispute resolution mechanisms, strengthening consultation and information sharing mechanisms, ensuring coordination between judicial procedures and administrative supervision procedures, and comprehensively enhancing the quality and efficiency of judicial adjudication, enforcement, and administrative supervision penalties. It also requires optimizing the jurisdiction and trial mechanisms for financial cases, strengthening financial adjudication mechanisms and two-way exchange and training mechanisms, and continuously improving the standardization and legalization of regulatory enforcement.

Two Ministries Jointly Issue Announcement to Support the Issuance of Science and Technology Innovation Bonds

On May 6, 2025, the People's Bank Of China (PBC) and China Securities Regulatory Commission (CSRC) jointly issued the *Announcement on Issues Concerning Supporting the Issuance of Science and*

Technology Innovation Bonds (the “Announcement”), aiming to accelerate the development of a multi-level bond market and to support the financing of science and technology innovation enterprises. The Announcement came into effect upon publication.

The Announcement proposes enriching the product system of science and technology innovation bonds, allowing financial institutions, science and technology enterprises, and equity investment institutions to issue science and technology innovation bonds, with funds raised to be used in the field of science and technology innovation. Issuers may flexibly set bond terms, optimize issuance management processes, simplify information disclosure rules, innovate credit rating systems, and improve risk dispersion mechanisms. Financial institutions may support science and technology innovation businesses through various methods, while local governments may offer interest subsidies and guarantees as supporting measures. Science and technology innovation bonds will be included in the assessment of the quality and effectiveness of financial institutions’ science and technology financial services, to enhance the bond market’s capacity to support scientific and technological innovation.

China Enacts Private Economy Promotion Law

On April 30, 2025, the *Law of the People’s Republic of China on the Promotion of the Private Economy* was adopted, coming into force on May 20, 2025.

As China’s first foundational law specifically dedicated to private economy development, the Private Economy Promotion Law comprises 9 chapters and 78 articles, covering General Provisions, Fair Competition, Investment and Financing Promotion, Scientific and Technological Innovation, Business Regulation, Service Support, Rights Protection, Legal Liability, and Supplementary Provisions. Regarding fair competition safeguards and investment-financing promotion, the Law stipulates that the State implements a nationally unified market access negative list system. All economic entities, including private economic organizations, may equally enter, in accordance with the law, sectors not listed on the market access negative list. It supports private economic organizations in investing and starting businesses in strategic emerging industries, future industries, and other fields, encourages technological transformation and upgrading of traditional industries, and promotes their participation in modern infrastructure investment and construction.

Article(s)

Navigating ICP Filing and Licensing Compliance for Foreign-Invested VATS Providers in China

by Esther Lin

As digital services continue to shape the global economy, foreign-invested enterprises (FIEs) are increasingly looking to enter or expand in China’s online service market. However, operating websites or internet-based platforms in China typically involves engaging in value-added telecommunications services (VATS), a sector governed by detailed and evolving regulatory requirements. This article outlines the key compliance issues surrounding ICP filings and licenses for foreign-invested companies and introduces the

expanded market access available under China's VATS pilot program.

I. Legal Framework for Internet Service Operation in China

Entities operating websites or internet platforms in China must comply with the following key regulations:

- Telecommunications Regulations of the PRC
- Administrative Measures on Internet Information Services (the "Measures")
- Catalogue of Telecommunications Business Classification (the "Catalogue")
- Provisions on the Administration of Foreign-Invested Telecommunications Enterprises
- Foreign Investment Negative List (2025 Edition)
- Interpretations and enforcement guidelines by the Ministry of Industry and Information Technology (MIIT)

According to these rules, commercial internet services — such as those involving paid content, user accounts, or interactive functionalities — generally require an ICP License. In contrast, non-commercial information services (e.g., corporate websites used for informational purposes) only require a filing.

Foreign investors are traditionally restricted from holding more than 50% equity in entities engaged in most categories of VATS. As a result, a Sino-foreign joint venture (JV) is typically required to apply for an ICP License for commercial services. Additionally, certain subcategories, particularly those involving user-generated content or search functions, remain off-limits to wholly foreign-owned enterprises (WFOEs) without a domestic partner.

II. ICP Filing and Licensing Compliance

In practice, ICP compliance takes two primary forms: ICP filing and ICP licensing, each applicable to different types of online activity.

An ICP filing is required for non-commercial internet information services, such as websites that provide information without offering paid services or interactive features. Examples include corporate homepages, marketing sites, and purely informational portals. These filings are submitted to MIIT or authorized local telecommunications operators and typically take around 20 working days to process. Notably, there are no foreign ownership restrictions for ICP filings, making this the most accessible pathway for wholly foreign-owned enterprises (WFOEs) engaging in low-risk, non-commercial activities.

By contrast, an ICP license is mandatory for commercial internet information services, which include platforms that charge users, enable account creation, or provide dynamic, interactive functionalities. Examples range from SaaS platforms and e-commerce sites to real-time messaging or content-sharing communities. Licensing is administered by the local Communications Administration and entails a more involved approval process—usually around 60 working days—including technical review, cybersecurity documentation, proof of registered capital, and qualification of IT staff. Additionally, foreign equity is generally limited to 50% or less, unless the service falls within a category opened to wholly foreign ownership under the VATS pilot program (see Section III below)

III. VATS Pilot Program and Opportunities for Foreign Investors

Recognizing the growing demand for foreign participation in China's digital economy, MIIT launched a pilot program on April 8, 2024, to expand foreign access to selected VATS categories. The program is currently limited to four regions: (1) Beijing (Comprehensive Demonstration Zone for Expanding Opening up in the Service Sector); (2) Shanghai Pudong New Area (including the Lingang New Area of the Shanghai Pilot Free Trade Zone); (3) Hainan Free Trade Port; (4) Shenzhen (Pilot Demonstration Area for Socialism with Chinese Characteristics).

These subcategories fall under the broader "B25 Information Services Business" in the Telecommunications Catalogue and may include services like content hosting, spam filtering, virus detection, and software delivery platforms. If a WFOE is registered in one of the designated Pilot Regions and its services fall exclusively within these permitted categories, it may apply directly for an ICP License without needing to form a joint venture.

However, for services that involve search engines, community forums, or real-time communication tools, foreign-invested entities must still establish a Sino-foreign joint venture with a qualified domestic partner. The Chinese partner must hold a valid telecommunications license and demonstrate operational capabilities in the relevant VATS categories. In these cases, the foreign investor's equity stake is typically limited to 50% or less.

IV. Key Considerations for Foreign Investors

To successfully leverage the pilot program or comply with standard VATS regulations, FIEs should consider the following:

1. Location of Registration

The enterprise must be incorporated within a designated pilot region to benefit from relaxed foreign ownership restrictions.

2. Service Classification

Not all internet services qualify. Platforms offering interactive or user-generated content may still require a domestic partner.

3. Operational Readiness

Regulatory authorities assess whether the applicant meets requirements including:

- Minimum registered capital (RMB 1M for local, RMB 10M for national services)
- Staffing of qualified IT and compliance personnel
- Information security and data protection protocols
- Local Partner Selection (if needed)

If the business model still falls under restricted categories, collaboration with a domestically funded partner may be required.

V. Conclusion

The regulatory regime for internet services in China remains complex, particularly for foreign-invested entities. However, the launch of the VATS Pilot Program signals a significant shift toward market openness, particularly in major commercial hubs like Shanghai and Beijing. Foreign enterprises with operations or aspirations in these Pilot Regions may now explore new pathways to legally offer a broader range of internet services under their wholly owned subsidiaries. Companies should carefully assess their service model, location, and compliance obligations before launching operations, and where appropriate, seek legal guidance to ensure full alignment with PRC laws and regulations.

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