

## China Newsletter | 2026 Q1/Issue No. 67



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This China Newsletter provides an overview of key developments in the following areas:

#### **1. Tax**

- *China Releases Implementing Regulations for the Value Added Tax Law.*

#### **2. Health Care & FDA Practice/Life Sciences & Medical Technology**

- *China Revises Drug Administration Regulations and Accelerates Access to Overseas Medicines.*

#### **3. Foreign Investment**

- *China Implements New Customs Rules under the 2025 Encouraged Foreign Investment Catalogue.*

#### **4. Data Privacy & Cybersecurity**

- *China Issues Guidelines on Cross-Border Transfer of Vehicle Data.*

## 5. Financial Regulatory & Compliance

- *China Unifies Banking and Insurance License Management Rules.*
- *China Reforms Cross-Border Lending Rules with Unified Foreign and Domestic Currency Framework.*

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- *China Issues First Comprehensive Antitrust Compliance Guidelines for Platform Economy.*

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- *China Strengthens Trade Secret Protection with New Administrative Regulations.*

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- *China Enacts Comprehensive Ecological Environment Code.*

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## Tax

### Implementation Regulation of the Value Added Tax Law of the People's Republic of China

#### 中华人民共和国增值税法实施条例

The Value Added Tax Implementation Regulation of the People's Republic of China (Regulation), promulgated under State Council Order No. 826, took effect Jan. 1, 2026. Formulated pursuant to the Value Added Tax Law, the Regulation consists of six chapters and 54 articles, replacing the former Interim VAT Regulation (2017 revision). Structured into General Provisions, Tax Rates, Taxable Amount, Tax Incentives, Tax Administration, and Supplementary Provisions, it establishes a sound framework aligned with the VAT Law and refines classification criteria for taxable goods, services, intangible assets and immovable property.

Key points of the Regulation include:

- **Clarification of Deemed Sales**

The scope of deemed sales is strictly defined in line with the VAT Law, covering three core scenarios:

1. Self-produced or commissioned processed goods used for collective welfare or personal consumption;
2. Gratuitous transfer of goods;
3. Gratuitous transfer of intangible assets, immovable property, or financial instruments.

The optimized rules clarify that cross-regional goods transfer within the same VAT taxpayer shall not be regarded as deemed sales, reducing administrative disputes between tax authorities and enterprises.

- **Stability of Tax Rate and Levy System**

The existing tax rate structure remains unchanged, maintaining three brackets of 13%, 9% and 6%, plus applicable zero VAT rate. The standard 3% levy rate under the simplified tax calculation method is retained, and the 5% levy rate applicable to certain immovable property transactions is also preserved, which may help bring forth consistent, stable policy implementation.

- **Refinement of Input Tax Deduction Rules**

Interest expenses on loans remain non-deductible. Input VAT on catering services is fully non-deductible in accordance with statutory provisions. The deductibility rules for entertainment services and daily residential services remain unchanged – they are non-deductible when used for tax-exempt projects, collective welfare, or personal consumption. The Regulation further optimizes input tax deduction rules for fixed assets, intangible assets, and immovable property concurrently used for taxable and non-taxable projects, with clear accounting segregation requirements stipulated.

- **Standardization of Sales Revenue and Surcharges**

Sales revenue is uniformly defined as the total monetary and non-monetary consideration obtained from taxable transactions. Miscellaneous collected payments are generally excluded from sales revenue unless directly attributable to taxable transactions, simplifying the calculation standard for taxable sales.

- **Optimization in Tax Administration**

The Regulation improves the VAT declaration and adjustment mechanism to standardize the handling of prior-year tax adjustments. It clarifies VAT withholding obligations: domestic entities making payments such as remuneration, rent, and royalties to non-resident individuals or non-resident enterprises shall withhold and remit VAT in accordance with provisions.

- **Tax Incentives and Anti-Avoidance Mechanisms**

All preferential VAT policies are formulated to remain consistent with the upper-level VAT Law. The State Council may introduce special preferential policies targeting micro and small enterprises, key industrial sectors, innovation and entrepreneurship, and public welfare undertakings. New anti-avoidance provisions are added to strengthen tax administration and prevent tax evasion via related-party transactions and transfer pricing arrangements.

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## **Health Care & FDA Practice/Life Sciences & Medical Technology**

### **Implementation of the Drug Administration Law of the PRC (2026 Revision) and Announcement on Further Optimizing the Review and Approval of Clinically Urgent Overseas-Approved Drugs**

中华人民共和国药品管理法实施条例（2026年修订）\关于进一步优化临床急需境外已上市药品审评审批有关事项的公告

Recently, the Chinese government rolled out two supporting policies have been rolled in the country's pharmaceutical regulatory sector: Regulations for the Implementation of the Drug Administration Law of the PRC (2026 Revision) and the Announcement on Further Optimizing the Review and Approval of Clinically Urgent Overseas-Approved Drugs issued by the National Medical Products Administration (NMPA). The revised Regulation took effect May 15, 2026.

The 2026 Revision of the Implementation aligns with the Drug Administration Law of the PRC, and comprehensively updates regulatory rules covering drug R&D, registration, production, circulation, clinical use, and supervision. It puts clinical value at the core of drug R&D and registration, aligning with major accelerated approval pathways, including priority review, conditional approval, and breakthrough therapy designation. It also improves supporting policies for pediatric and rare disease medicines. Further, it strengthens pharmaceutical intellectual property and data protection, streamlines pre-market review and approval procedures, and shortens the overall time-to-market timeline.

In terms of production supervision, it clarifies the primary responsibilities of Marketing Authorization Holders (MAHs), improves the regulation of entrusted drug manufacturing, relaxes restrictions on compliant commissioned and segmented production, and upgrades quality management and full lifecycle traceability systems. In drug circulation and clinical application, it optimizes classification management standards for prescription and over-the-counter drugs; standardizes hospital drug procurement, storage, and deployment; and consolidates all parties' safety management obligations. With respect to law enforcement, it clarifies the identification of illegal acts, improves drug inspection and re-testing procedures, and refines liability provisions to raise the cost of violations and strengthen regulatory deterrence.

Meanwhile, the NMPA Announcement targets the bottlenecks in launching clinically urgent high-quality overseas drugs in the Chinese market. It expands the scope of eligible overseas drugs, compresses review cycles, and sets up dedicated fast-track review channels. It also optimizes the registration testing mechanism with preferential arrangements for rare disease medicines and adopts a flexible supervision model combining on-site inspection and remote review to avoid repeated inspections and reduce enterprises' compliance costs. Additionally, it improves regular communication mechanisms between regulators and pharmaceutical sponsors, enabling early dialogue on clinical data acceptance, review pathway selection, and conditional submission arrangements, with the intention of boosting the success rate of drug registration applications.

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## Foreign Investment

### General Administration of Customs Announcement on Implementing the Catalogue of Industries for Encouraging Foreign Investment (2025 Edition)

海关总署关于执行《鼓励外商投资产业目录（2025年版）》有关事项的公告

On Jan. 27, 2026, China's General Administration of Customs issued Announcement No. 13 of 2026. It is formulated in accordance with the Catalogue of Industries for Encouraging Foreign Investment (2025 Edition) promulgated by NDRC and MOFCOM under Order No. 37 (2025 Catalogue). Announcement No. 13 took effect Feb. 1, 2026, and encourages accurate implementation and smooth application of import duty preferential policies and clarifies related operational arrangements. Announcement No. 13 applies to investments governed by the 2025 Catalogue and updates certain incentives and rules that may impact foreign companies with current or potential investment in China, particularly in industrial manufacturing sectors.

### **Import Tax Incentives for Self-Use Equipment**

As of Feb. 1, 2026, foreign investment projects (including capital increase projects) falling within the scope of the 2025 Catalogue may import self-use equipment within the approved total investment amount, together with supporting technology, components, and spare parts, as stipulated in the contract.

Except for goods listed in the Catalogue of Goods Not Exempt from Duty for Foreign Investment Projects and the Catalogue of Major Technical Equipment and Products Not Exempt from Duty, the above imported goods shall be exempted from customs duty but still subject to import VAT, effectively reducing the procurement and operation costs of foreign-invested enterprises.

### **Industrial Policy Codes and Project Classification**

Competent authorities shall clearly specify the applicable industrial policy code and project nature when issuing project confirmation documents.

Entries under the national Catalogue of Industries for Encouraging Foreign Investment adopt codes starting with “AC” plus three digits, with the project nature marked as “foreign investment” or “domestically purchased goods for foreign-invested projects.”

Entries under the Catalogue of Advantageous Industries for Foreign Investment in Central and Western Regions adopt codes starting with “HB” plus four digits, with the project nature marked as “foreign investment in central and western advantageous industries” or “domestically purchased goods for foreign-invested projects.”

### **Transition Rules Between Old and New Catalogues**

Foreign investment projects approved or filed before Feb. 1, 2026, that comply with the 2025 Catalogue may apply to Chinese Customs for import duty exemption review of self-use equipment after obtaining confirmation documents issued in accordance with the 2025 Catalogue.

Projects included in the 2022 Catalogue but excluded from the 2025 Catalogue are still eligible for exemption review if they obtain relevant confirmation documents issued under the 2022 Catalogue before Feb. 1, 2027, with the goal of a steady policy transition.

### **Requirements for Projects Under Construction**

Projects not covered by the 2022 Catalogue but newly included in the 2025 Catalogue may enjoy the import duty preferential policy for imported self-use equipment, supporting technology, components, and spare parts, as specified in this Announcement. Nevertheless, taxes already levied on equipment imported prior to the policy applicability shall not be refunded, clarifying the applicable boundary for ongoing projects and avoiding policy disputes.

### **Compliance Considerations for Enterprises**

Foreign-invested enterprises must verify whether their projects fall within the scope of the 2025 Catalogue, apply to competent authorities for valid confirmation documents, and confirm eligibility for import duty exemption. When applying for preferential treatment, enterprises must strictly distinguish non-exempt goods and ensure accurate customs declarations. Enterprises must also keep track of the transition deadline between different catalogue versions and complete relevant formalities in a timely manner to avoid missing applicable preferential policies.

## Data Privacy & Cybersecurity

### China's 2026 Automotive Data Cross-Border Transfer Guidelines

关于印发《汽车数据出境安全指引（2026版）》的通知

China's new Automotive Data Cross-border Transfer Guidelines (2026 Edition) (Guidelines), jointly issued by eight Chinese ministries and effective July 1, 2026, are best understood as an effort to make automotive data transfers more operationally workable while tightening sector-specific expectations around what counts as important data. For foreign automakers, suppliers, software providers, mobility platforms, and multinational groups collaborating with China's automotive sector, an important takeaway is that the Guidelines do not simply restate China's general data export regime, but tailor it to core automotive business scenarios, define what activities count as cross-border transfers, add industry-relevant exemptions, and sharpen the analysis needed to determine when automotive data may trigger security assessment requirements.

#### *Key Contents of Guidelines:*

The Guidelines are most useful when read through four practical questions for industry participants: what counts as automotive data, what conduct constitutes a cross-border transfer, which transfers may now benefit from exemptions, and which categories of data remain likely to attract heightened scrutiny as important data.

#### 1. **Scope:**

The Guidelines apply to automotive data processors and define "automotive data" broadly as personal information and important data generated across the vehicle lifecycle, including design, production, sales, use, and maintenance. This matters for a wide range of actors, not only OEMs, but also parts and software suppliers, telecom operators, autonomous driving service providers, platform operators, dealers, repair institutions, and mobility service companies carrying out the following cross-border data activities:

- Automotive data collected or generated during operations in China and transmitted outside China.
- Automotive data stored in China but made available to offshore entities or personnel through access, query, download, or export functions.
- Other offshore data processing activities that fall within Article 3 of the Personal Information Protection Law, including certain extraterritorial processing of personal information of individuals in China.

2. **Automotive data processors** have three compliance paths: data outbound security assessment, standard contract for personal information export, or personal information export certification.

#### 3. **Exemptions**

The Guidelines identify nine exemption scenarios, several of which are notable because they aim to reduce friction for routine commercial operations and urgent technical collaboration. For foreign businesses, the most significant additions are the clearer low-volume personal information exemption and the sector-specific carve-outs for vulnerability remediation, incident response, and recall-related OTA source code filings. These nine exemptions include the following:

- Cross-border contracts where an individual is a party (car purchase, delivery, payment, account registration).
- HR management under labor rules/collective contracts for cross-border personnel management.
- Emergencies for protecting the life, health, and property safety of natural persons.
- Key component/software suppliers providing non-personal information for R&D, manufacturing, upgrades, or maintenance.
- International standards, research, and certification activities.
- Legally public automotive data.
- Security vulnerability data reported to China's Ministry of Industry and Information Technology (MIIT).
- Security incident data reported to MIIT/regulators.
- Non-personal information on product defects.

#### 4. Important Data Determination

This is the part of the Guidelines that is likely to matter most in practice because it moves beyond high-level principles and gives sector-specific rules for identifying data that could still trigger a mandatory security assessment even where companies are trying to rely on more streamlined transfer mechanisms. The Guidelines approach important data identification through business scenarios, reflecting the view that sensitivity in the automotive sector often depends on how data is generated, used, and shared in particular operational contexts.

- **Business Scenarios:** R&D, manufacturing, driving automation, software upgrades, and connected operations.
- **Detailed Rules:** Examples include:
  - **R&D:** core technical parameters, key component designs, and whole-vehicle R&D data.
  - **Manufacturing:** process parameters, production line data, and quality control.
  - **Driving automation:** algorithms, high-precision maps, and driving behavior data.
  - **Software upgrades:** source code, upgrade packages, and logs.
  - **Connected operations:** platform data, remote control, and user behavior.

#### 5. Data Outbound Process

For multinational automotive groups, this section helps translate the legal framework into an operational workflow: identify the data, determine whether it is important data or personal information, choose the correct transfer mechanism, and then document and control the transfer accordingly. When handling outbound data, automotive data processors should consider the following steps:

- **Identification and Filing:** Establish mechanisms; classify/grade data; file important data.
- **Management Path:** Decide compliance method based on type, scale, and sensitivity.

- **Implementation:** Aligns with CAC’s third edition outbound assessment guidelines, which only require metadata (type, scale), not raw data.
- **Transmission Control:** Strictly manage servers transmitting data abroad, with clear permissions and approvals.

## 6. Security Protection Requirements

Although framed as security measures, these requirements also signal regulator expectations around governance maturity, meaning companies that transfer automotive data cross-border should be prepared to show not only a lawful transfer path but also internal accountability, technical controls, and traceability. Automotive data processors may wish to consider the following:

- **Management System:** Assign responsible department; establish rules and procedures.
- **Technical Safeguards:** Use verification, encryption, secure channels/protocols; ensure authentication of foreign recipients.
- **Log Management:** Keep detailed logs (time, type, scale, purpose, recipient) for no less than three years.
- **Emergency Response:** Prepare contingency plans, conduct drills, report incidents promptly, and take remedial measures.

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## Financial Regulatory & Compliance

### China Unifies Banking and Insurance License Management Rules

#### 《银行保险机构许可证管理办法》

On Jan. 27, 2026, the National Financial Regulatory Administration (NFRA) issued the Administrative Measures for the Licensing of Banking and Insurance Institutions (NFRA Order No. 2 of 2026), which took effect June 1, 2026. The Measures consolidate previously separate licensing frameworks for banks and insurance institutions into a single, unified national system. They apply to all banking and insurance institutions operating in China, including foreign-invested entities. Existing licenses must comply by June 1, 2028.

#### *Unified License Framework*

The centerpiece of the Measures is a single national license regime covering both banks and insurance companies. Under the prior framework, banking and insurance institutions were governed by separate licensing regimes with distinct formats, procedures, and administrative requirements. The Measures replace those separate systems with a unified financial license, administered nationwide.

Key changes include:

- A single license type — the financial license replaces the previously distinct banking and insurance license structures, eliminating overlapping or inconsistent requirements.
- National standardization — license format, issuance procedures, and management rules are now uniform across the country, reducing regional variation.

- Clear scope — the unified regime applies to all licensed banking and insurance institutions, including commercial banks, policy banks, rural cooperative institutions, insurance companies, and insurance asset management companies.

### *Full Lifecycle License Management*

The Measures establish a comprehensive governance framework covering every stage from initial application through cancellation. Institutions must manage licenses as regulated compliance assets rather than passive administrative formalities.

The lifecycle requirements cover:

- Application and issuance — institutions must apply for a license when commencing operations.
- Renewal and replacement — expired or damaged licenses must be renewed or replaced through prescribed procedures.
- Changes — alterations to the licensed institution's name, address, or other registered particulars must be reflected in an updated license.
- Cancellation — licenses must be surrendered upon dissolution, revocation, or other termination events.
- Public disclosure — institutions must display or publish license information in accordance with NFRA rules.

### *Institutional Responsibility and Internal Controls*

The Measures place direct compliance obligations on licensed institutions. License management must be embedded within each institution's internal control and compliance framework.

Specific obligations include:

- Integration into compliance systems — license administration must be incorporated into internal control frameworks with clear lines of responsibility.
- Dedicated management — institutions should consider assigning specific personnel or departments to oversee license maintenance and reporting.
- Record keeping — institutions must maintain accurate, up-to-date license records and file change notices in a timely manner.

This shift reflects the NFRA's emphasis on placing primary responsibility on institutions rather than relying on ex post enforcement alone.

### *Administrative Penalties and Personal Liability*

The Measures introduce a tiered penalty structure tied to the severity of license violations, escalating based on the nature of the violation, whether it was intentional, and the degree of harm caused.

The Measures also expand personal liability. Senior executives, compliance officers, and other responsible personnel may face direct administrative sanctions, including fines and, in serious cases, industry bans,

for failures in license management. This personal accountability mechanism is designed to ensure that license compliance receives attention at the highest levels of management.

### *Streamlined Procedures and Transition Period*

The Measures simplify application materials and standardize processing timelines to reduce administrative burden. Existing license holders have until June 1, 2028, to complete replacement or renewal procedures under the new unified financial license framework.

## **China Reforms Cross-Border Lending Rules with Unified Foreign and Domestic Currency Framework**

### 《境内企业境外放款管理办法》

On March 20, 2026, the People's Bank of China (PBOC) and the State Administration of Foreign Exchange (SAFE) jointly issued the Measures for the Administration of Overseas Lending by Domestic Enterprises (the Lending Measures), which took effect April 20, 2026. The Lending Measures replace the existing bifurcated regime for RMB-denominated and foreign currency-denominated overseas lending with a single integrated framework. For multinational companies operating in China, including foreign-invested enterprises, the reform simplifies cross-border capital allocation, raises lending capacity, and reduces regulatory friction.

### *Unified Local and Foreign Currency Regulation*

Under the prior framework, separate rules governed RMB and foreign currency overseas lending, creating overlapping approvals, inconsistent documentation requirements, and divergent balance calculations. The Lending Measures eliminate this fragmentation by applying one set of rules to both currency types. Enterprises now operate under a single quota, a single registration process, and unified reporting standards. This local and foreign currency integration (本外币一体化) represents an important step toward streamlining the administrative architecture of China's cross-border lending regime.

Practical impacts include:

- Elimination of duplicative SAFE and PBOC filings for loans denominated in different currencies.
- A consolidated approach to calculating a group's total overseas lending exposure.
- Greater flexibility to switch between RMB and foreign currency funding without triggering separate regulatory tracks.

### *Higher Lending Limits and Adjusted Macro-Prudential Coefficient*

The Lending Measures raise the macro-prudential adjustment coefficient from 0.5 to 0.6. The increase translates into an approximately 20% expansion in the aggregate lending cap for eligible enterprises.

For example, an enterprise with audited equity of RMB 100 million previously faced a ceiling of roughly RMB 50 million in total outstanding overseas loans. Under the new coefficient, that ceiling rises to approximately RMB 60 million. Enterprises operating at or near their prior caps now have additional headroom to fund subsidiaries, finance trade flows, or support working capital needs across their global operations without restructuring equity or seeking case-by-case approvals.

### *Clearer Eligibility, Registration, and Full-Cycle Fund Management*

The Lending Measures codify explicit eligibility criteria for lenders and borrowers, standardize the registration workflow, and impose end-to-end fund management requirements.

**Lending conditions:** Domestic enterprises must meet solvency, compliance, and operational history thresholds to qualify. Borrowers must demonstrate a genuine connection to the lender, typically through equity ownership or contractual supply chain relationships.

**Registration and documentation:** Enterprises must complete a one-time registration with the local SAFE branch and submit specified corporate records. Subsequent loans within the registered quota generally do not require additional approval, provided reporting obligations are satisfied.

**Fund use and repayment monitoring:** Lenders must track the flow of funds from disbursement through repayment and ensure proceeds are used for permitted purposes. The Lending Measures expressly prohibit channeling overseas loans into prohibited sectors, real estate speculation, or securities investment unless specifically authorized.

### *Facilitating Multinational Capital Allocation*

A key policy objective of the Lending Measures is to support multinational companies, including foreign-invested multinationals, in optimizing intra-group treasury functions. By expanding the lending envelope and unifying the dual-currency framework, the PBOC and SAFE aim to reduce the compliance cost and operational delay historically associated with moving capital between a China-based entity and its offshore affiliates.

For foreign enterprises with significant China operations, the reform directly addresses a common pain point: the difficulty of deploying onshore RMB or foreign currency liquidity to overseas entities in the same global supply chain. The unified framework makes it easier to centralize liquidity management, support foreign subsidiaries, and align China-based funding with broader group financing strategies.

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## **Antitrust Litigation & Competition Regulation**

### **China Strengthens Trade Secret Protection with New Administrative Regulations**

#### **《商业秘密保护规定》**

On Feb. 24, 2026, the State Administration for Market Regulation (SAMR) promulgated the Regulations on the Protection of Trade Secrets (SAMR Order No. 126), which took effect June 1, 2026. The Regulations implement and elaborate on the trade secret protections established in China's Anti-Unfair Competition Law by codifying the elements of a trade secret, expanding the categories of protected commercial information, and establishing a comprehensive administrative enforcement framework.

#### **Expanded Scope of Protected Information**

The Regulations broaden the traditional definition of a trade secret, which covers technical and business information that is unknown to the public, has commercial value, and is subject to confidentiality measures, to explicitly include newer forms of commercial information.

- Data, algorithms, and computer program code are now expressly included as categories of technical information eligible for protection.
- The Regulations enumerate specific types of technical information (such as product and process formulas, designs, and test data) and business information (such as customer lists, procurement and sales strategies, and pricing policies), clarifying the boundaries of what parties may claim as a trade secret.
- Information that merely reflects public data, lacks commercial value, or is not actively kept confidential remains outside the scope.

This expansion acknowledges the shift toward digital and data-driven business models and gives enterprises a clearer basis for asserting rights over proprietary algorithms and data compilations.

### **Systematized Administrative Enforcement Regime**

The Regulations establish a detailed framework for how market regulation departments handle trade secret infringement cases at the administrative level.

- Jurisdiction — cases involving technical secrets fall under the exclusive jurisdiction of market regulation departments at or above the level of a municipality with districts. This concentrates expertise in larger administrative bodies equipped to handle technical complexity.
- Filing standards — the Regulations specify the evidence threshold required to open an administrative investigation, giving complainants clearer guidance on what they must submit.
- Burden of proof — the allocation of evidentiary burdens between the rights holder and the alleged infringer is clarified, including circumstances where the burden may shift.
- Enforcement powers — investigators may inspect premises, review documents, question personnel, and seize or preserve evidence.
- Penalty discretion — the Regulations set out factors for determining the severity of administrative fines and other penalties under Article 21 of the Anti-Unfair Competition Law.

By standardizing these procedures, SAMR aims to reduce inconsistency across regional enforcement offices and improve predictability for complainants and respondents alike.

### **Cross-Border and Remote-Work Compliance**

The Regulations address extraterritorial reach and modern workplace arrangements.

- Extraterritorial jurisdiction — where an act of trade secret infringement occurs outside China but produces competitive harm within the Chinese market, SAMR asserts administrative jurisdiction. This reflects a growing willingness to apply Chinese competition law to cross-border conduct.
- Remote work and cross-border collaboration — the Regulations provide compliance guidance for scenarios such as employees working remotely, shared access to cloud-based systems, and international project teams handling sensitive information. Confidentiality obligations attach to the information itself, regardless of where it is accessed or by whom.

These provisions are particularly relevant for multinational companies with cross-border research and development functions, shared service centers, or hybrid working arrangements.

## Infringement Determination and Safe Harbors

The Regulations refine the standards for determining infringement and identify specific circumstances where liability does not attach.

- Infringement standards — The Regulations define unauthorized acquisition, disclosure, or use of a trade secret with greater precision. The Regulations also address improper inducement and secondary liability for parties that knowingly receive misappropriated information.
  - Exemptions — certain acts are carved out from liability, including independent development, reverse engineering of publicly available products, and the exercise of rights under employment or commercial agreements where information was legitimately obtained. The Regulations also recognize the right to report illegal conduct or protect one’s own legitimate interests.
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## Environmental

### China Enacts Comprehensive Ecological Environment Code

《中华人民共和国生态环境法典》

On March 12, 2026, China adopted and promulgated the Ecological Environment Code, effective Aug. 15, 2026. The Code is only the second piece of legislation in China to carry the designation “Code,” after the Civil Code, signaling its foundational importance in China’s legal architecture.

For multinational companies and foreign-invested enterprises operating in China, the Code represents an important reorganization of environmental compliance obligations, with new enforcement tools, expanded liability, and unified standards that may reshape how environmental risk is managed across industries.

#### *Core Regulatory Systems Codified*

The Code gives statutory force to several mechanisms that have previously operated through regulation or policy:

- Dual control of carbon emissions — the Code embeds the existing policy of controlling both total carbon emissions and carbon intensity, converting what was previously an administrative target into a legally binding obligation.
  - Carbon footprint management — requirements for carbon footprint tracking and disclosure are elevated to the Code level, creating a uniform baseline for corporate carbon accounting obligations across sectors.
  - Pollution discharge permits — the discharge permit system is reinforced as a central pillar of environmental compliance, with the Code tightening the linkage between permit conditions and enforcement action.
  - Environmental impact assessment (EIA) — the EIA regime is retained and harmonized, with clearer thresholds and procedures for projects requiring assessment.
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### *Extended Producer Responsibility and Liability Reforms*

The Code makes two notable changes to how liability is assigned and pursued.

First, the extended producer responsibility system, under which manufacturers bear responsibility for the environmental impact of their products across the full lifecycle — including post-consumer waste — is expanded to cover additional product categories. Foreign manufacturers and brand owners importing into China should consider whether their product lines fall within the broadened scope.

Second, the Code introduces a tiered penalty structure and a dual penalty framework. Under this approach, both the corporate entity and responsible individuals, typically senior management or the legal representative, may be held personally liable for environmental violations.

### *Strengthened Enforcement: Unified Standards and Extended Time Limits*

The Code mandates unified environmental supervision standards and enforcement benchmarks across all levels of government. This is designed to reduce regional variation in enforcement intensity, though it may lead to stricter application in jurisdictions that previously interpreted environmental rules more flexibly.

The statute of limitations for pursuing environmental violations is extended to five years, beyond the standard two-year period applicable to many administrative violations in China. This gives regulators a longer window to investigate and penalize historical non-compliance. Enterprises may wish to review their historical environmental records with this expanded lookback period in mind.

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*\* This GT Newsletter is limited to non-U.S. matters and law.*

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