



Han Kun Newsletter

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Legal Updates

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1. Tax Compliance for Chinese Individuals Investing Overseas (Part II): Beyond CRS, The Beneficial Ownership Regime as a Parallel Transparency Framework

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In our previous article, [*“Tax Compliance for Chinese Individuals Investing Overseas \(Part II\): CRS 2.0, Understanding Your Overseas Wealth Structure”*](#), we introduced how tax authorities are leveraging CRS 2.0 to gain greater visibility into the offshore wealth structures of individual investors. While the Common Reporting Standard (CRS) has become widely recognized, it is not the only regulatory tool being deployed. In parallel, global corporate transparency reforms are also advancing rapidly, introducing additional mechanisms that enhance authorities’ ability to identify the ownership and control structures of offshore entities:

- **Company shareholder and director disclosure regimes:** identifying who legally owns and manages an offshore company
- **Beneficial ownership registration regimes:** revealing who ultimately controls the company and enjoys the underlying economic benefits

What Are the Changes Brought by Company Shareholder and Director Disclosure Regimes/Beneficial Ownership Registration Regimes?

Offshore Company Shareholder and Director Disclosure Regimes

In China, obtaining basic information about a company is relatively straightforward. Through the National Enterprise Credit Information Publicity System, or commercial databases such as Qichacha and Tianyancha, the public can generally access information including a company’s registered capital, shareholders, legal representatives, directors, and changes in ownership structure. However, in many offshore jurisdictions, accessing information on a company’s shareholders and directors has historically been more challenging. **Unlike China, many jurisdictions do not maintain a publicly accessible corporate information database that provides comprehensive company ownership details.**

In recent years, major global financial centers have generally strengthened their corporate transparency requirements:

- **International financial centers such as Hong Kong SAR and Singapore** established relatively comprehensive company registration and information disclosure systems at an early stage. Both the public and regulatory authorities can more readily access basic company information, including shareholder and director details;

¹ Lianjie Huang has contributions to this article.

- **Traditional offshore financial centers such as the British Virgin Islands (BVI) and the Cayman Islands** historically placed greater emphasis on commercial privacy and convenience. However, driven by evolving international anti-money laundering (AML) standards and increasing regulatory expectations, these jurisdictions have continuously enhanced requirements for maintaining corporate records and providing access to competent authorities.

This global trend indicates that offshore companies are no longer completely closed information silos, and shareholding arrangements, directorships, and corporate control relationships are increasingly being brought within the scope of regulatory oversight. At present, there are generally three main models for accessing corporate information globally:

Public Disclosure Model	An increasing number of jurisdictions have established public corporate information disclosure regimes, although access to certain information may require payment. For example, the United Kingdom, Hong Kong SAR, Singapore, and various European jurisdictions such as Germany have developed relatively comprehensive company registration and information access systems. Through official channels, the public can generally obtain a company's basic registration information. Director information is often relatively accessible, while the availability of shareholder information varies depending on the jurisdiction and the type of company. In some jurisdictions, shareholder information can be directly accessed; in others, users may need to purchase company filings, corporate profiles, or official registration documents to obtain more detailed information. Unlike China's enterprise information disclosure system, offshore corporate information access regimes generally follow a "basic information publicly available, detailed information available upon payment" approach. Not all registered information is freely accessible to the public.
Limited Disclosure Model	Some jurisdictions adopt a limited disclosure model, under which corporate information may be accessible upon payment through registered agents or professional service providers. For example, jurisdictions such as the British Virgin Islands (BVI) and the Cayman Islands require companies to maintain a Register of Directors and a Register of Members and to retain relevant information within the applicable regulatory framework. However, these jurisdictions have not established comprehensive public corporate information search systems comparable to those in the United Kingdom or Hong Kong SAR. Relevant information is primarily maintained by the company itself, its registered agent, and competent authorities. The public generally cannot obtain complete shareholder and director information through free searches of official databases. Nevertheless, in scenarios such as commercial due diligence, financial institution onboarding, and transaction arrangements, relevant parties may obtain certain corporate information through the company, registered agents, or professional service providers, subject to applicable procedures and requirements.
Non-Public Disclosure Model	A limited number of jurisdictions have established company registration regimes but do not provide a public corporate information search mechanism. For example, in certain U.S. states, such as Delaware, companies are required to complete incorporation filings and maintain certain corporate records including information relating to the registered agents, directors,

and officers. However, such information is generally not available for public inspection. Shareholder information is typically maintained internally by the company. As a result, external parties are generally unable to determine a company's complete ownership structure through government public databases. Instead, access to such information typically depends on counterparty disclosure, commercial due diligence processes, regulatory requests, or judicial proceedings.

Based on our observations in practice, with the continued enhancement of offshore corporate registration and information disclosure mechanisms, regulatory authorities in China have increasingly gained access to shareholder, director, and other corporate registration details of offshore companies through various information channels. These corporate records are now being utilized as an important source of information for cross-border investment reviews, tax avoidance risk analysis, and regulatory compliance assessments.

Offshore Company Beneficial Ownership Registration Regimes

Traditional corporate registration systems have an inherent limitation: they generally reflect only the legal ownership and management structure of a company, but may not reveal the underlying individuals who ultimately control the entity or enjoy its economic benefits.

For example, from a corporate registration perspective, a company may be legally owned by another corporate entity, while its directors may be appointed through professional service providers or nominee arrangements. The individuals who actually control the company may be concealed behind multiple layers of companies, trusts, partnerships, or other legal structures. Historically, due to the fragmentation of corporate information across different jurisdictions, regulatory authorities often faced challenges in identifying the true ownership and control relationships behind complex cross-border structures based solely on a single source of information.

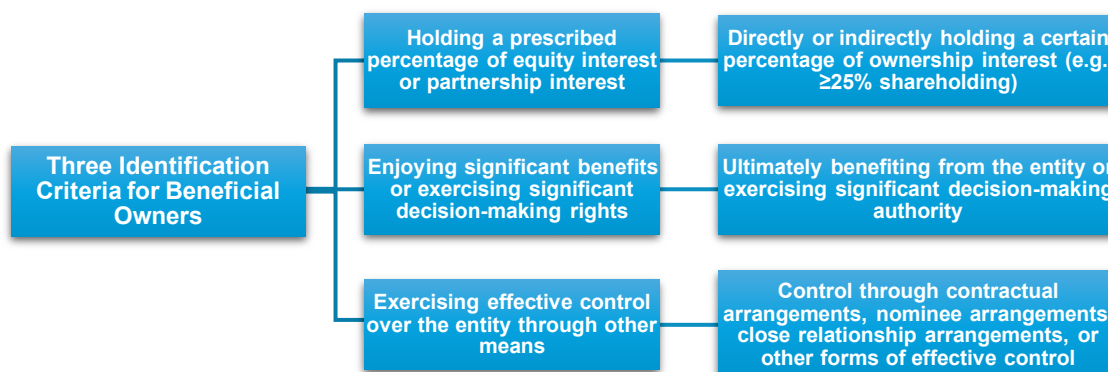
Against this background, regulators have increasingly recognized that relying solely on traditional shareholder and director disclosure regimes is no longer sufficient to meet the requirements of anti-money laundering (AML), anti-corruption initiatives, international tax transparency, and cross-border regulatory cooperation. What regulators seek to identify is not merely who legally holds shares in a company or who is appointed as its director, but more importantly, **who ultimately owns or controls the legal entity and who ultimately benefits from its economic value**. This has led to the development and implementation of beneficial ownership registration regimes.

I. What Is a Beneficial Ownership Registration Regime?

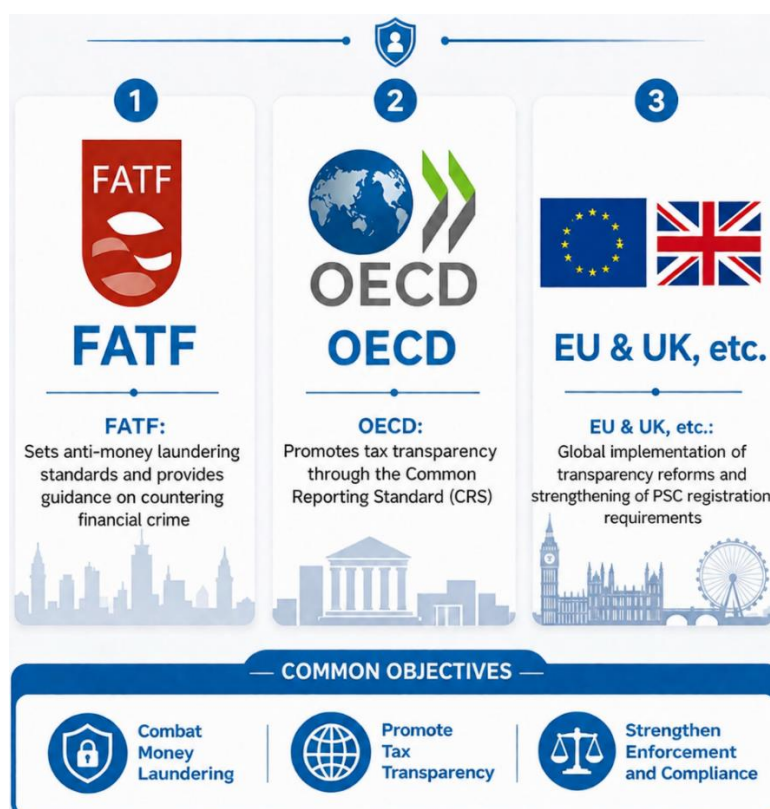
A beneficial owner generally refers to the natural person who ultimately owns or controls a legal entity, or who ultimately enjoys the economic benefits derived from that entity. Unlike shareholders recorded in corporate registration regimes, beneficial ownership registration regimes do not focus solely on formal shareholding arrangements. Instead, they seek to look through legal structures to identify **the ultimate beneficial owner (UBO)** — namely, the individual who ultimately exercises control over the entity or receives the underlying economic benefits.

For example, an individual in China may hold offshore investment assets through a structure involving

a BVI company and a Hong Kong company. From a legal ownership perspective, the assets may be owned by the offshore entities. However, the key questions for regulatory authorities are: **Who ultimately controls these entities? Who ultimately enjoys the economic benefits generated by the underlying assets?**



The concept of Beneficial Ownership Registration Regimes originated primarily from **the global anti-money laundering (AML) regulatory framework**. In 2003, the Financial Action Task Force (FATF) formally introduced the concept of beneficial ownership into its international AML standards. Subsequently, in 2012, FATF revised its FATF Recommendations, further strengthening transparency requirements for legal entities and legal arrangements. The fundamental objective of FATF's promotion of beneficial ownership registration regimes is to **prevent the misuse of shell companies, nominee arrangements, and complex legal structures to conceal the true controller, so as to enable regulators to identify the actual control relationships behind legal entities**.



Following the release and widespread implementation of the Common Reporting Standard (CRS) by the Organisation for Economic Co-operation and Development (OECD) in 2014, the international community gradually recognized that **financial account information alone was insufficient to provide a complete picture of complex cross-border asset structures**: Tax authorities may be aware that a particular offshore financial account holds assets of a certain value. However, where the account is held through offshore companies, family trusts, nominee arrangements, or other legal structures, account information alone may not enable authorities to accurately determine the ultimate ownership of the assets; the underlying control relationships; and the identity of the ultimate beneficiaries. As a result, the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) **incorporated beneficial ownership transparency into international tax transparency standards**, which requires jurisdictions to ensure that their competent authorities are able to obtain beneficial ownership information relating to legal entities and legal arrangements.

Following the gradual establishment of international standards, jurisdictions around the world have progressively introduced domestic legislative frameworks to establish mechanisms for the collection, registration, and access of beneficial ownership information:

- **The European Union** introduced the Fourth Anti-Money Laundering Directive (4AMLD) in 2015, which for the first time **required Member States to establish beneficial ownership registration regimes**. Subsequently, the Fifth Anti-Money Laundering Directive (5AMLD) adopted in 2018 further enhanced transparency requirements for beneficial ownership information and expanded the scope of access for competent authorities and other relevant parties;
- **The United Kingdom** established the **Persons with Significant Control (PSC)** regime in 2016, requiring companies to identify and disclose individuals who exercise significant control over the company. The PSC regime made the UK one of the earlier major financial centers globally to introduce a public beneficial ownership disclosure mechanism;
- **The British Virgin Islands (BVI)** established the **Beneficial Ownership Secure Search System (BOSS)** in 2017, requiring registered agents to collect and maintain beneficial ownership information of companies and allowing competent authorities to access such information under specified circumstances;
- **Singapore** introduced the **Register of Registrable Controllers (RORC)** regime in 2017, requiring companies, foreign companies, and limited liability partnerships to identify and maintain information relating to their registrable controllers;
- **Hong Kong SAR** implemented the **Significant Controllers Register (SCR)** regime under the Companies Ordinance in 2018, requiring Hong Kong companies to maintain information relating to their significant controllers and provide access to such information when required for law enforcement purposes;
- **China** formally implemented the Administrative Measures for Beneficial Ownership Information (《受益所有人信息管理办法》) in 2024, establishing **a nationwide beneficial ownership**

information management framework. The measures require relevant entities to file beneficial ownership information with registration authorities, providing an institutional foundation for regulatory authorities to conduct risk identification and information inquiries.

II. How Do Regulatory Authorities Obtain Beneficial Ownership Information of Offshore Companies?

It is important to note that beneficial ownership information of offshore companies is generally not directly available to regulatory authorities in other jurisdictions. For foreign regulatory authorities, access to such information typically relies on access mechanisms permitted under local laws, or is achieved through channels such as tax information exchange and cross-border regulatory cooperation.

1. Obtaining Information Through International Tax and Regulatory Cooperation Mechanisms

For the purposes of cross-border tax risk management, tax information exchange represents an important channel for obtaining information regarding the ownership and control structures of offshore entities. Currently, jurisdictions primarily rely on the following international cooperation mechanisms:

- Exchange of Information Article under bilateral tax treaties (Exchange of Information Article);
- Tax Information Exchange Agreements (TIEAs);
- Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

For example, according to publicly available information from the State Taxation Administration of China, as of the end of July 2025, China had formally signed agreements and arrangements relating to the avoidance of double taxation and other tax matters with 114 jurisdictions, most of which contain Exchange of Information Articles. In addition, China has entered into Tax Information Exchange Agreements (TIEAs) with 10 jurisdictions, including commonly used offshore financial centers such as the British Virgin Islands (BVI), Cayman Islands, Jersey, Guernsey, Bahamas, Bermuda, and Liechtenstein.

Where the relevant legal requirements and treaty provisions are satisfied, Chinese tax authorities may submit information requests to the competent tax authorities of relevant jurisdictions through tax information exchange mechanisms. Such requests may enable access to offshore company registration records, beneficial ownership information, and other information relevant to tax administration that is held by foreign tax authorities or other competent authorities. This mechanism provides an important source of information for Chinese tax authorities to identify the ultimate control relationships behind offshore entities and conduct cross-border tax risk analysis.

2. Obtaining Information Through Local Beneficial Ownership Registration Systems

Beneficial Ownership Registration Regimes differ significantly from traditional Company Shareholder and Director Disclosure Regimes. In most jurisdictions, beneficial ownership information is not made fully available to the public. Instead, such information is primarily accessible by local regulatory authorities, law enforcement agencies, and competent authorities when performing their regulatory functions. Therefore, beneficial ownership information is generally considered “available to

regulators” rather than “freely accessible to the public.”

Currently, only a limited number of jurisdictions have established restricted access mechanisms for non-regulatory parties. For example, the Cayman Islands has introduced the Legitimate Interest Access Framework, which allows eligible applicants to access certain beneficial ownership information based on a legitimate interest. Eligible applicants may include parties involved in commercial transactions, investigative journalists, and academic researchers. Although this framework was not specifically designed for foreign regulatory authorities, subject to compliance with local legal requirements, relevant parties may potentially obtain certain information through lawful channels for purposes such as commercial due diligence, risk assessment, or other legitimate purposes.

III. Why Does the Beneficial Ownership Registration Regime Matter?--Regulatory Authorities Are Building Multi-Dimensional Look-Through Capabilities

The value of beneficial ownership information lies in providing regulatory authorities with a fundamental source of information for identifying ultimate control relationships. This enables authorities to further analyze:

- the individuals who ultimately control multi-layer offshore corporate structures;
- the underlying beneficial interests behind arrangements such as trusts and nominee structures;
- whether different offshore entities are connected through ownership or control relationships; and
- whether cross-border investments and transaction arrangements have genuine commercial purposes.

More importantly, beneficial ownership information does not operate independently. Instead, it interacts with CRS, offshore investment regulatory frameworks, foreign exchange administration systems, and tax administration mechanisms, enabling regulatory authorities to conduct cross-verification across multiple information sources and develop more comprehensive look-through capabilities.

1. Tax Regulation: Identifying Ultimate Control Relationships and Determining Income Attribution and Transaction Substance

In the field of taxation, the significance of Beneficial Ownership Registration Regimes lies in enabling tax authorities to move beyond reliance solely on legal form and more accurately identify the ultimate control relationships behind offshore entities. By combining beneficial ownership information with income sources, transaction arrangements, and other tax reporting information, tax authorities can conduct a comprehensive assessment of cross-border tax matters.

In complex cross-border structures, offshore companies, funds, or other legal entities may serve as formal investment vehicles or transaction counterparties. However, the ultimate controllers, beneficial owners, and relationships between these entities and domestic parties may not be readily identifiable through traditional shareholder and director registration information.

Beneficial ownership information may assist tax authorities in various regulatory scenarios, including:

- **Related-Party Transaction Management:** assisting in determining whether domestic and offshore entities are subject to actual control relationships;
- **Offshore Income Management:** assisting in analyzing the ultimate attribution of relevant income and identifying the actual beneficiaries;
- **Complex Wealth Structures:** assisting in identifying economic relationships among different legal arrangements, including companies, trusts, and funds.

*For example, assume a China resident individual establishes a trading company in **Hong Kong SAR**. The company conducts genuine business operations and may therefore qualify as an **Active Non-Financial Entity (Active NFE)** under the **Common Reporting Standard (CRS)** framework. As a result, its financial accounts may not be subject to automatic exchange of information in the same manner as accounts held by financial institutions. At the same time, assume that the individual has not completed the required offshore investment registration or foreign exchange compliance procedures.*

*If the Hong Kong company conducts continuous trading transactions with related domestic enterprises, but the transaction prices deviate significantly from the **arm's length principle**, tax authorities, when conducting a related-party transaction review, may combine offshore company registration records; shareholder and director information; beneficial ownership information; and domestic enterprise tax filings to identify the ultimate controller of the Hong Kong company. Based on such analysis, tax authorities may determine whether the parties constitute related parties and further assess whether the transaction arrangements comply with the **arm's length principle**.*

2. Offshore Investment and Foreign Exchange Regulation: Identifying the True Investment Parties and Control Chains

The Regulations of the State Council on Outbound Investment (《国务院关于对外投资的规定》, State Council Order No. 837) explicitly brings individual overseas investment activities within the scope of regulatory oversight. Article 2 of Order No. 837 defines overseas investment as activities through which an investor: “**directly or indirectly obtains ownership, control, operational management rights, or other relevant interests** in enterprises or assets located in other countries or regions through investment of assets, equity interests, or through financing, guarantees, or other means.”

This raises an important question: **How can regulatory authorities obtain information regarding such investment activities?**

In practice, China had already established relevant regulatory frameworks for overseas investment and cross-border capital movements before the introduction of Order No. 837, including:

- Where China resident individuals conduct offshore financing or investment activities through Special Purpose Vehicles (SPVs), they are required to comply with registration requirements under the Circular of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (Huifa No. 37 [2014]);

- Outbound Direct Investment (ODI) generally requires filing or approval procedures with relevant authorities, including the National Development and Reform Commission (NDRC), the Ministry of Commerce (MOFCOM), and the State Administration of Foreign Exchange (SAFE), in accordance with applicable regulations;
- Where resident enterprises or domestic partnerships directly or indirectly hold 10% or more (including 10%) of shares or voting rights in a foreign enterprise, they are required to submit the Report Form on Overseas Investment Information of Resident Enterprises to the competent tax authorities in accordance with the provisions of the Announcement of the State Taxation Administration on Optimizing Tax Payment Services and Streamlining and Consolidating Relevant Statements for Resident Enterprises to Report Overseas Investment and Income Information (Announcement No. 17 of 2023 of the State Taxation Administration).

These regulatory mechanisms are based on an important assumption: that investors will proactively and fully disclose their offshore investment structures, ownership arrangements, and related transaction information in accordance with regulatory requirements. However, in practice, certain offshore investment or ownership arrangements may not be properly registered or reported as required. In addition, some investors may hold offshore assets through multi-layer offshore corporate structures; nominee arrangements; or trust structures, making the underlying control relationships more complex and difficult for regulators to identify.

Against this background, beneficial ownership registration regimes provide an important supplementary source of information. Through beneficial ownership registration systems established in offshore jurisdictions, regulatory authorities may, under applicable conditions, obtain information regarding the individuals who ultimately control offshore entities. Such information can then be cross-checked against existing domestic records, including: foreign exchange registration information; offshore investment filing records; tax reporting information; and cross-border capital flow data.

Recommendations for Individual Investors

With the continued development of beneficial ownership registration regimes, international tax information exchange mechanisms, and cross-border regulatory cooperation frameworks, the ultimate control relationships, investment structures, and related transaction arrangements behind offshore entities are increasingly becoming accessible to regulatory authorities. **The information gap surrounding offshore structures is gradually narrowing.**

In an era of enhanced transparency driven by CRS, beneficial ownership registration regimes, and global tax transparency initiatives, investors such as Mr. A and Mr. C, who have established complex offshore structures, offshore company ownership arrangements, or multi-layer investment structures, should **consider conducting a systematic legal and compliance health check of their existing arrangements:**

- A. **Conducting a comprehensive review of offshore companies, investment funds, trusts, family offices, and other legal entities, including their ownership structures, shareholding arrangements, and control relationships;**

- B. Verifying whether historical offshore investments, foreign exchange registrations, tax filings, and other regulatory compliance matters have been properly completed and remain consistent;**
- C. Reassessing the commercial rationale and compliance foundation of existing structures in light of evolving regulatory requirements and global transparency trends;**
- D. Conducting timely risk assessments and developing remediation plans for historical compliance gaps or incomplete regulatory procedures.**

For complex cross-border asset arrangements, details often determine the overall outcome. A seemingly simple offshore holding structure may involve challenges far beyond understanding a single regulation or compliance requirement. The key issue is whether the investor can, from multiple perspectives including legal relationships, tax treatment, and regulatory compliance, reconstruct and substantiate the consistency of the investment pathway; ownership changes; fund flows; control relationships; and domestic and offshore reporting obligations. Ultimately, complex offshore arrangements must be able to withstand comprehensive review under multiple regulatory frameworks and demonstrate consistency, transparency, and compliance across jurisdictions.

2. In-Depth Analysis of State Council Order No. 841: Who Will Be Affected by the New Exit and Entry Administration Rules?

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The *Provisions of the State Council on Exit and Entry Administration* (State Council Order No. 841, hereinafter “Order No. 841”)² will take effect on September 15, 2026. Consisting of only 19 articles, the Provisions follow the principle of addressing the most pressing needs first and respond to the “new challenges and new issues” that have arisen since the *Exit and Entry Administration Law* came into force. According to statements made at a press briefing by officials of the Ministry of Justice, the Ministry of Public Security and the National Immigration Administration, this legislation is principally intended to fill in institutional gaps in three areas: the safety of Chinese citizens traveling abroad, the entry of foreign nationals, and the regulation of intermediary services. It also further strengthens scrutiny of the authenticity of stated grounds for applications and the verifiability of the relevant conduct³.

In specific cross-border matters, Order No. 841 may apply in conjunction with rules on export controls, technology import and export, and data security. Read together with the previously implemented State Council Order No. 837⁴ governing outbound investment and Announcement No. 21 of 2026 issued by the Ministry of Finance and the State Taxation Administration⁵ concerning individual income tax on offshore trusts, this series of rules clearly reflects the current policy orientation of promoting standardization in the governance of going global and other cross-border activities. This article provides an in-depth analysis of Order No. 841 and examines its differing implications for six categories of persons.

Legislative Principles and Regulatory Positioning

I. Legislative Purpose

Article 1 of Order No. 841 expressly states that the Provisions are intended to regulate exit and entry administration, protect individuals’ legitimate rights and interests, and safeguard national sovereignty, security and development interests. The new rules are not intended to tighten the movement of persons, but to balance openness and security.

II. Three Key Shifts

The new rules reflect three key shifts. First, they promote more refined administration through record-filing and authenticity review. Second, they connect technology export controls with compliance

² The full text of Order No. 841 is available at: https://www.gov.cn/zhengce/content/202607/content_7077172.htm.

³ See the press briefing held by officials of the Ministry of Justice, the Ministry of Public Security and the National Immigration Administration concerning the *Provisions of the State Council on Exit and Entry Administration*: <https://www.nia.gov.cn/n741440/n741577/c1793235/content.html>.

⁴ *Provisions of the State Council on Several Issues Concerning the Implementation of the Outbound Investment Law of the People’s Republic of China* (State Council Order No. 837, referred to in this article as “Order No. 837”), available at: https://www.gov.cn/zhengce/content/202606/content_7070755.htm.

⁵ *Announcement of the Ministry of Finance and the State Taxation Administration on Individual Income Tax Matters Concerning Offshore Trusts* (Announcement No. 21 of 2026 of the Ministry of Finance and the State Taxation Administration, referred to in this article as “Announcement No. 21”), available at: <https://fgk.chinatax.gov.cn/zcfgk/c102416/c5251277/content.html>.

obligations for exit-entry personnel. Third, they strengthen risk management through measures such as intermediary record-filing, accountability for the accuracy of applications, and security advisories.

III. Scope of Application

Order No. 841 does not introduce a completely new exit-approval regime, nor does it directly modify the rules governing nationality, household registration, foreign exchange, taxation or overseas assets. Its regulatory focus is the authenticity of applications, cross-border technology transfers, identity inconsistencies, and intermediary services.

Practical Implications for Six Categories of Persons, and Compliance Considerations

I. Technical Personnel and Export-Control-Sensitive Enterprises

1. Rule Highlights

Article 4 of Order No. 841 adds a new rule: where a Chinese citizen has violated export-control, technology import and export administration or other applicable requirements⁶, and may thereby endanger national industrial or technological security, the Ministry of Commerce and other authorities under the State Council may decide that the citizen shall not be permitted to leave China. Technology enterprises should pay particular attention to this provision.

The provision applies only where a Chinese citizen has committed a relevant violation and may endanger industrial or technological security. The decision is to be made by relevant authorities under the State Council and enforced by the immigration administration authorities. A person may not be restricted from leaving China solely by reason of his or her occupation or employer.

Article 12(5) of the *Exit and Entry Administration Law* already sets out the legal basis for exit restrictions⁷. Building on this framework, Order No. 841 further requires written notice of the facts, grounds, legal basis, and available remedies before an exit restriction is imposed. Matters involving national security or a criminal investigation are excepted.

2. Practical Implications

Enterprises should conduct a holistic assessment of the personnel, technologies, activities and counterparties involved. Key questions include: What information will be shared overseas? Who will have access to the relevant technologies or systems? Is any technology subject to export controls? Could cloud storage, remote access, oral communications, or portable devices constitute a cross-border transfer of controlled technology or data?

Particular attention should be paid to scenarios such as the relocation of a core team, employees joining overseas competitors, or a change of control involving the transfer of technological assets

⁶ Including the *Regulations of the People's Republic of China on the Administration of Technology Import and Export* and the *Catalogue of Technologies Prohibited or Restricted from Export by China*, among others.

⁷ Article 12(5) of the *Exit and Entry Administration Law of the People's Republic of China* provides that a Chinese citizen shall not be permitted to leave China where the competent authorities under the State Council decide that the person's departure may endanger national security or interests.

overseas. These scenarios should be assessed from multiple compliance perspectives, including export controls, technology import and export rules, cross-border data transfers, outbound investment, intellectual property, and employment matters.

3. Compliance Recommendations

Enterprises should integrate outbound travel into their export control compliance framework. Different categories of personnel—such as core technical staff, employees involved in sensitive projects, and those traveling overseas for routine business—should be subject to proportionate pre-departure controls, including written records and clearly defined information boundaries. Where employees plan to join an overseas competitor, take up a long-term overseas role, or participate in joint R&D after leaving the enterprise, advance compliance reviews should cover export controls, intellectual property, confidentiality, and cross-border data transfers.

Circumstances warranting particular attention include:

- research and development personnel working in integrated circuits, artificial intelligence, biomedicine, aerospace, quantum technology and similar fields;
- personnel employed in sensitive fields such as the defense industry, nuclear energy and national-defense science and technology; and
- key technical personnel who possess core technical secrets or are deeply involved in internal export-control reviews.

Key technical personnel should confirm in advance whether the relevant technical content falls within a controlled scope and should retain records of that review.

II. Individuals with Cross-Border Assets and Multiple Identities

1. Rule Highlights

Under Article 9 of the *Nationality Law of the People's Republic of China*, a Chinese citizen who has settled abroad loses Chinese nationality automatically upon voluntarily acquiring a foreign nationality. This change takes effect by operation of law. Retaining Chinese identity documents or delaying household registration deregistration does not alter that legal position.

Using different identities inside and outside China has never been a lawful way to maintain separate identity statuses. The risks were simply harder to detect when identity verification mechanisms were less developed. Practices such as switching between Chinese and foreign identity documents, continuing to use a mainland Chinese identity after acquiring foreign nationality, or holding a foreign passport without a genuine connection to the issuing jurisdiction can give rise to significant compliance risks.

Order No. 841 materially narrows the scope for such practices at the regulatory level. It requires the grounds stated in exit and entry applications to be truthful and lawful, while empowering immigration and visa authorities to conduct inquiries and request relevant documents, materials, and electronic data. Electronic-data verification is one of the most substantive changes introduced by the new rules.

Passport-use records, travel histories, and household-registration information may be cross-checked across different databases, making inconsistencies between a person's Chinese and foreign identities easier to identify.

2. Practical Implications

Inconsistent identity information can trigger consequences far beyond additional document requests. It may affect the issuance of identity documents and result in administrative penalties, criminal liability, or tax-related consequences.

(1) Legal Consequences of Identity Inconsistency

Article 3 of Order No. 841 requires applicants to provide truthful and lawful grounds for their applications and empowers the competent authorities to verify the applicant's identity and stated grounds in accordance with law. Identity inconsistency may result in the following consequences:

Legal Consequence	Potential Effect
Refusal to Issue Documents	Where a person's identity, name or date of birth is inconsistent with existing records, or the person cannot provide a satisfactory explanation for multiple passports or inconsistent travel records, the relevant authorities may refuse to issue the relevant travel document.
Denial of Exit or Entry	If an inspection at a port of entry or exit reveals a material discrepancy between a person's identity information and the information provided, the authorities may conduct further verification and take appropriate measures in accordance with law.
Administrative Penalty	A person who has been penalized by administrative detention for fraudulently obtaining travel documents or unlawfully leaving or entering China may be prohibited from leaving China for a period of six months to three years.
Criminal Exposure	Forging or altering identity documents, or obtaining documents by concealing a change in nationality, may constitute an offense of impairing the administration of the national border.
Tax Risk	Inconsistencies among nationality, household registration, financial accounts and tax-residence status may trigger CRS information cross-checks and tax review.

(2) Impact on Travel to and from China After Acquiring Foreign Nationality

Once a Chinese citizen acquires foreign nationality and subsequently enters China as a foreign national, the person becomes subject to the regulatory framework governing the entry of foreign nationals. The principal implications include the following:

- **Travel to and from China is governed by a different set of rules.** Before acquiring foreign nationality, a person may travel to and from China using a Chinese passport or, where applicable, an Exit-Entry Permit for Traveling to and from Hong Kong and Macao, without needing a visa or being subject to a fixed period of stay. After acquiring foreign nationality, however, travel to China is generally subject to the rules applicable to foreign nationals. A visa may be required or, where visa-free entry is available, a prescribed period of stay will apply. Activities in China must also be consistent with the relevant visa or entry status. Long-term residence may additionally require a work permit and/or residence permit.
- **Existing assets and investments in China may also require adjustment.** If real property, equity interests or bank accounts acquired while the person was a Chinese citizen have not been updated to reflect the person's foreign nationality, discrepancies between identity and ownership records may complicate subsequent transactions or regulatory procedures. For example, a real estate authority, bank or securities firm may require additional documentation before processing a sale, mortgage, inheritance matter or other transaction. In sectors subject to foreign investment restrictions, such as telecommunications, education and media, the acquisition of foreign nationality may also affect the applicable ownership or foreign-investment requirements and, in some cases, require the existing ownership structure to be adjusted.

Following a change of nationality, the requirements for visas to China, permitted periods of stay and business activities must be reassessed under the rules applicable to foreign nationals. The person may not continue to rely on his or her former status as a Chinese national.

(3) Legal Consequences Relating to Dual Nationality

China does not recognize dual nationality. Where Article 9 of the *Nationality Law* applies, a Chinese citizen automatically loses Chinese nationality upon acquiring foreign nationality, without the need for a separate declaration or application. The following are common misconceptions and the corresponding corrections:

Common Misconception		Correct Legal Position
Misconception 1: “If I do not report it, my Chinese nationality continues to exist.”	→	Failure to report the change does not prevent the loss of Chinese nationality; it simply creates a discrepancy between the legal facts and the registration records.
Misconception 2: “I can retain my Chinese identities and use different documents inside and outside China.”	→	Continued use of identity documents that are no longer legally valid may lead to confiscation of the documents, administrative penalties, or difficulties during exit and entry procedures.

Common Misconception		Correct Legal Position
Misconception 3: “I can keep my household registration for now and deal with it when necessary.”	→	Coexistence of household-registration records and foreign-passport records may trigger verification in subsequent applications and upon entry.

As cross-checking of identity, travel, tax, and financial information becomes more sophisticated, inconsistencies between a person’s Chinese and foreign identities are increasingly likely to be detected. Continuing to use a Chinese-citizen identity after acquiring foreign nationality may give rise to risks relating to identity documents, border controls, and the management or disposal of assets in China.

3. Compliance Recommendations

Individuals should conduct a comprehensive review of existing identities, including current nationality and residence status, all historical documents, travel records, and their household registration records in China. A person who has acquired foreign nationality but has not deregistered their Chinese household registration or surrendered their Chinese passport should voluntarily report to the public security authority in the place of household registration and complete the relevant procedures in accordance with law.

Anyone holding a “backup passport” without a genuine residential connection to the issuing jurisdiction should relinquish that nationality and carefully assess the risks of continuing to use the passport, particularly in light of the authenticity checks under Order No. 841.

III. Public Officials, Military Personnel and Others in Sensitive Positions

1. Rule Highlights

Article 10 of Order No. 841 prohibits intermediary service providers from unlawfully assisting public officials, military personnel and other specified persons in obtaining foreign nationality, overseas residence documents, or other exit or entry documents. Where an intermediary identifies a violation, it is also required to report it. The obligation falls on the intermediary itself and is triggered by unlawful assistance. It does not mean that all public officials are categorically prohibited from leaving China, nor does it require intermediaries to report every interaction with a public official.

This provision links intermediaries’ duties to identify, refuse to provide services to, and report such cases with the existing systems for the supervision of public officials, private travel abroad, and the management of relevant travel documents. Internal approval and document-custody procedures within an individual’s employing organization are distinct from a formal exit restriction imposed by the competent authority and enforced by the immigration authorities, as they are governed by different legal bases and procedures.

The scope of “public officials” may be understood in light of Article 15 of the *Supervision Law*⁸. It

⁸ Article 15 of the *Supervision Law of the People’s Republic of China* provides that “public officials” principally include the

generally covers civil servants and personnel subject to the *Civil Servant Law*, managers of state-owned enterprises, and persons entrusted with the administration of public affairs or otherwise lawfully performing public duties in public institutions. Whether an individual falls within this category should be determined primarily by the person's actual position and the nature of the public functions performed, rather than solely by the type of organization for which he or she works.

2. Practical Implications

Order No. 841 does not introduce a general requirement for public officials to obtain approval before leaving China. It does, however, make violations involving the acquisition of foreign nationality, permanent residence, or long-term residence status more likely to be detected. Such violations may result in removal from office or dismissal, and may also trigger liability for failing to report relevant personal matters or for unlawfully retaining documents.

Failure to obtain organizational approval or to return a document held in centralized custody is generally an internal administrative matter. An exit restriction enforceable at the border arises only when a competent authority, acting pursuant to law, has formally imposed the restriction and notified the immigration authorities. Conversely, approval by the person's organization does not prevent another competent authority from imposing a lawful exit restriction.

Order No. 841 does not automatically extend restrictions to identity applications made by relatives, including spouses and children. A genuine and independent application by a relative for overseas status is, in principle, governed by the ordinary rules. If the relative is also a person subject to special restrictions, Article 10 applies to that person separately.

For persons subject to personal-matter reporting obligations, a spouse's or child's relocation abroad, acquisition of foreign nationality or permanent residence, and related employment, investment and asset matters may be subject to reporting or review. The specific requirements depend on the category of personnel and the rules applicable to the relevant organization.

Where a relative is the nominal applicant but the source of funding, ultimate beneficiary, or actual residence arrangements point to the public official, or where a relative is used to hold assets on the official's behalf with the purpose of circumventing reporting requirements, intermediaries should look beyond the formal identity of the applicant and assess the underlying circumstances. A family relationship, without additional facts indicating proxy assistance, circumvention, or beneficial ownership, is not by itself sufficient to establish unlawful assistance.

following six categories of persons: (1) civil servants of organs of the Communist Party of China, organs of people's congresses and their standing committees, people's governments, supervision commissions, people's courts, people's procuratorates, committees of the Chinese People's Political Consultative Conference at all levels, organs of the democratic parties and organs of federations of industry and commerce, as well as personnel managed by reference to the *Civil Servant Law of the People's Republic of China*; (2) personnel engaged in public service in organizations authorized by laws or regulations, or entrusted by state organs in accordance with law, to administer public affairs; (3) managers of state-owned enterprises; (4) personnel engaged in management in publicly funded entities in education, scientific research, culture, medical and health care, sports and other fields; (5) personnel engaged in management in primary-level organizations of self-governance by the masses; and (6) other personnel who perform public duties in accordance with law.

3. Compliance Recommendations

Before undertaking private travel abroad or to Hong Kong, Macao or Taiwan, applying for overseas residence, or arranging family relocation, public officials should confirm the applicable requirements regarding registration, document custody, organizational approval, and reporting of personal matters. Personnel in sensitive positions, those with access to classified matters, or those who have not completed separation and handover procedures should complete the relevant internal procedures before taking such actions.

Where a spouse or child independently applies for overseas status, records should be retained regarding the purpose of the application, source of funds, responsibility for expenses and ultimate beneficiary. If the public official provides funds or participates in the arrangements, the parties should first assess whether any approval, reporting or recusal obligation is triggered.

Intermediaries should identify the actual principal, payer and beneficiary, and assess whether the service involves a public official or military personnel. Where an intermediary identifies an unlawful arrangement, it should refrain from further handling the matter, retain relevant records, and submit a report in accordance with the law.

IV. Individuals Subject to Exit Restrictions Due to Administrative Violations, Overseas Offenses, or Other Specified Circumstances

1. Rule Highlights

Order No. 841 sets out three categories of circumstances in which Chinese citizens may be subject to exit restrictions:

- A person who has received administrative detention for fraudulently obtaining exit and entry documents or for unlawfully leaving or entering China may, upon a decision of the immigration administration authorities, be prohibited from leaving China for a period of six months to three years from the date on which the penalty has been fully enforced.
- A person who has engaged in unlawful or criminal conduct abroad that endangers national security or interests may, upon a decision of a competent authority acting pursuant to law, be prohibited from leaving China for a period of six months to three years from the date of return to China.
- Where a person has violated export-control or technology import and export administration requirements and may thereby endanger industrial or technological security, the competent commerce and other authorities under the State Council may decide to prohibit the person from leaving China. The provision does not prescribe a uniform fixed term.

Separately, providing false materials or making a false statement in an application may result in refusal to issue a document or denial of exit.

2. Practical Implications

The relevant authorities, commencement dates and applicable periods differ among the three categories. Providing false application materials does not fall within the categories of exit restrictions

described above. Instead, it may result in refusal to issue the relevant documents or denial of exit.

3. Compliance Recommendations

A person who has previously been subject to an administrative penalty, undergone inspection at the border, or had an application for travel documents refused should, before undertaking significant travel, review the penalty decision, enforcement date, restriction decision and applicable period. Upon receiving an exit prohibition decision, the person should verify the decision-making authority, factual basis, legal grounds, duration and notice of available remedies. Statutory exceptions to notification apply in matters involving national security or a criminal investigation. Even after a measure has been lifted, the effect of the historical record on a subsequent application must be assessed in light of the specific matter.

V. Foreign Nationals and Former Chinese Citizens Following a Change of Nationality

1. Rule Highlights

Article 5 of Order No. 841 further refines the framework governing the entry of foreign nationals. The relevant restrictions may be summarized under three dimensions:

- A foreign national who provides false materials or makes a false statement when applying abroad for a Chinese visa or applying for entry at a port may be prohibited from entering China for a period of one to five years.
- A foreign national who has received criminal punishment for an offense of impairing the administration of the national border, or an administrative penalty for fraudulently obtaining exit or entry documents or unlawfully leaving or entering China, may be prohibited from entering China in accordance with law.
- A foreign national who has been placed on a countermeasure list, the Unreliable Entity List or the Malicious Entity List, or who is subject to countermeasures or restrictive measures, may be refused travel documents or denied entry by relevant authorities.

A former Chinese citizen who has lawfully acquired foreign nationality and enters China in the capacity of a foreign national is subject to the rules governing the entry of foreign nationals.

2. Practical Implications

After acquiring foreign nationality, a former Chinese citizen should pay close attention to the transition from his or her former identity status. Failure to deregister household registration or surrender a resident identity card in a timely manner may create inconsistency between identity status and travel records. As discussed above, continued use of a Chinese resident identity card, passport or Exit-Entry Permit for Traveling to and from Hong Kong and Macao may trigger further verification.

Following the change in nationality, new investments in China, changes to corporate registration, or the disposal of certain assets may become subject to the rules applicable to foreigners. Existing assets do not automatically become invalid; however, sector-specific access restrictions, foreign ownership limits, and registration requirements may affect subsequent transactions involving those

assets.

A change of nationality also does not automatically change tax-residence status. Inconsistencies among household registration, identity documents, financial accounts and tax-residence status may trigger CRS and tax review. Where an offshore trust is involved, Announcement No. 21 of 2026 issued by the Ministry of Finance and the State Taxation Administration should also be considered.

3. Compliance Recommendations

A person who has acquired foreign nationality but has not completed the necessary formalities in China should first confirm his or her nationality status, and then address household registration and Chinese identity documents in accordance with law. Financial accounts, business registrations and real-property registrations should each be reviewed to determine whether an update or change is required. Where the person holds equity interests in China or is involved in sectors subject to foreign-investment restrictions, the person should also assess applicable foreign-investment access requirements and potential restrictions on future transactions, while retaining naturalization records, historical application documents, and source-of-funds documentation.

Before traveling to China, the stated grounds for entry, travel documents, identity status in China and actual activities should be consistent. When an enterprise invites a foreign employee, director, adviser or counterparty to China, it should also conduct appropriate screening against relevant lists and review whether any prior restrictive measures apply.

VI. Exit and Entry Intermediary Service Providers and Their Personnel

1. Rule Highlights

Articles 7 through 13 of Order No. 841 establish an administrative regime for exit and entry intermediary services.

Regulatory Element	Rule
Record-Filing Regime	A newly established institution must complete record-filing within 15 days of its establishment. An institution already operating when the Provisions take effect must complete record-filing within 90 days of the effective date. An institution must also have the appropriate personnel, funds, premises and internal systems.
Business Boundary	Overseas enterprises and institutions may not provide exit and entry intermediary services within China.

Regulatory Element	Rule
Conduct Restrictions	Intermediaries are prohibited from publishing false information, assisting in the provision of false materials, disclosing private information, operating beyond their authorized scope, or assisting in cross-border violations or crimes. Violations may result in orders to rectify, fines, suspension of business, and even revocation of permits or business licenses.

Non-profit general policy consultations and inquiries do not constitute intermediary services as defined in the Provisions. Although record-filing is not an administrative licensing regime, intermediary providers operating without proper filing or under inadequate compliance controls will face heightened compliance risks.

2. Practical Implications

Overseas enterprises and institutions may not provide the relevant intermediary services directly within China without proper establishment in China. Whether a service is provided within China should be assessed based on the substance of the activities, including where client acquisition, consultation, document collection, substantive processing, and personnel management take place, rather than merely the place of contract execution or payment receipt. Family offices and human resources institutions that assist with relevant procedures should likewise assess whether record-filing obligations apply.

3. Compliance Recommendations

Intermediaries should review their onshore and offshore service processes, participating entities and actual places of operation; confirm the scope of record-filing applicable to the institution and its personnel; and strengthen mechanisms for client onboarding, document authenticity verification, review of clients with special status, reporting, and personal information protection. Where clients are acquired in China but contracts are signed and fees collected offshore, the institution should determine whether its onshore team has substantively provided intermediary services.

Procedural Developments and Practical Outlook

I. Standardization and Coordination of Border Control Measures

Article 6 of Order No. 841 unifies the enforcement mechanism for exit prohibition decisions. The decision-making authority must notify the immigration administration authorities and, in principle, inform the person concerned in writing of the factual basis, legal grounds and available remedies. Matters involving national security or a criminal investigation are excepted. By bringing decisions made by different competent authorities into a unified enforcement procedure, this provision helps improve the standardization and predictability of border administration.

II. Extension of Cross-Border Compliance Review

Order No. 841 extends cross-border compliance review to the legal conditions for departing China. Where a person falls within a statutory circumstance, the authorities may refuse to issue a document or restrict the person from leaving China in accordance with law.

III. Practical Observations

1. The Differentiated Administration Regime Will Be Further Improved

Article 4 prescribes differentiated measures for different circumstances, providing a clearer administrative basis for matters such as administrative penalties and technology export controls.

2. The Intermediary Sector Will Enter a New Stage of Standardized Development

Record-filing and tiered penalties will raise compliance requirements for intermediary services. Direct operations in China by overseas institutions will be restricted, and consolidation within the industry may accelerate.

3. Technology Export Controls and Personnel Exit Management Will Become More Closely Coordinated

Article 4(3) links violations of export-control and technology import and export requirements with consequences for personnel exit. High-technology enterprises should accordingly improve their pre-departure technology compliance reviews for relevant personnel.

4. Enforcement Coordination in Relation to Foreign-Related Sanctions Lists Will Be Strengthened

Article 5 connects the relevant countermeasure and restrictive lists with document issuance and entry inspection. Foreign-related legal services should incorporate relevant screening into their routine compliance processes.

Conclusion

The promulgation of Order No. 841 represents an important step in strengthening the legal framework for China's high-standard opening-up while balancing development and security. The Provisions operate alongside the Exit and Entry Administration Law, the Nationality Law, and related rules on export controls, technology import and export, data, supervision, taxation, and foreign exchange. Together with Order No. 837, Announcement No. 21, and other regulatory measures, they form part of a broader cross-border compliance framework that reflects a continued shift toward more precise, coordinated, and law-based governance of foreign-related matters.

These developments emphasize the need for businesses and individuals engaged in cross-border activities to adopt a more integrated compliance approach covering identity, immigration, investment, technology, data, and tax considerations.

Important Announcement

This Newsletter has been prepared for clients and professional associates of Han Kun Law Offices. Whilst every effort has been made to ensure accuracy, no responsibility can be accepted for errors and omissions, however caused. The information contained in this publication should not be relied on as legal advice and should not be regarded as a substitute for detailed advice in individual cases.

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