

Stabilizing Foreign Investment: China's Upgraded Industry Investment Guide

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As a supporting measure under the 2025 Action Plan for Stabilizing Foreign Investment, China's *Catalogue for Encouraged Industries for Foreign Investment (2025 Version)* (hereinafter referred to as the "**2025 Catalogue**") was issued on Dec. 15, 2025, by the National Development and Reform Commission and the Ministry of Commerce of the People's Republic of China. The 2025 Catalogue is the first update in three years, following the 2022 Edition that took effect on Jan. 1, 2023. The 2025 Catalogue was officially implemented on Feb. 1, 2026, with 1,679 entries in total (a net increase of 205 entries and 303 revised entries compared with the 2022 Edition) and significant adjustments in industrial scope, regional layout and policy orientation for foreign investors. This signifies a material change in direction for government-encouraged foreign investments, which may affect how you operate your China business to engineer the best results.

Key Takeaways

- The 2025 Catalogue focuses more on advanced manufacturing, modern services, high-tech and energy conservation and environmental protection fields, and significantly expands the encouraged scope of service consumption and regional characteristic industries.
- The 2025 Catalogue strengthens the guidance for foreign investment in western regions and Hainan Province. Foreign investors investing in encouraged industries in these key regions can enjoy a preferential enterprise income tax rate of 15 percent.
- Foreign investors can enjoy preferential policies for imported equipment for domestic reinvestment in line with the 2025 Catalogue, with tariff exemption for self-used imported equipment within the total investment (excluding non-exempted commodities).
- Supporting policies include tax incentives, land element support, foreign exchange facilitation and simplified approval procedures, forming a policy benefit package for foreign investment.

1. Expansion and Upgrading of Encouraged Industrial Scope

Compared with the 2022 Edition, the 2025 Catalogue demonstrates a clear policy leaning towards encouraging advanced manufacturing and modern service industries.

In advanced manufacturing, the 2025 Catalogue focused on filling the gaps in the industrial chain and upgrading core technologies. For example, it has newly added the development and production of nucleic acid drugs; the R&D and production of zero-magnetic medical equipment; the manufacturing of intelligent testing equipment and instruments; the R&D and production of high-speed cameras; the development and production of smart energy management and control systems; testing and monitoring equipment; the design, R&D and manufacturing of ships and deep-sea underwater operation robots; the manufacturing of key equipment for gas generators; and the development and manufacturing of key basic components of robots.

These additions reflect China's demand for upgrading the industrial and supply chain, which opens new market opportunities for foreign investors with advanced technology and industrial advantages.

[\[DLCA1\]](#)

In modern services, the 2025 Catalogue has expanded the scope of encouraged industries, focusing on boosting service consumption. Newly added entries include new material common technology platforms, modern high-end shipping services, the operation of virtual power plants and related technology R&D. In addition, the 2025 Catalogue has incorporated more consumer service consumption entries, including pet hospitals and pet beauty services, sports tourism services, travel agency operations, camping industry consulting, brand development and operation services. This differs from the 2022 Edition, which focused more on traditional producer services and reflects China's policy orientation of expanding high-quality service supply and meeting diversified consumption demands.

2. Strengthened Regional Investment Guidance

The 2025 Catalogue further increased central government guidance of encouraging foreign investment to the central and western regions, including northeast China and Hainan Province. Foreign enterprises investing in the western regions and Hainan Province can enjoy a preferential enterprise income tax at a reduced rate of 15 percent.

The Regional Catalogue has been significantly expanded in the 2025 Catalogue. Compared with the 2022 Edition, the Regional Catalogue has 105 additional entries, focused on supporting the industrial transformation and upgrading of various regions and highlighting their comparative advantages.

For example, Liaoning Province has newly added cruise tourism product operation services; Heilongjiang Province has added R&D and manufacturing of ice and snow equipment; Henan Province has added R&D and production of high-end and intelligent hoisting engineering machinery and parts; Hainan Province has added marine environmental governance, ecological restoration and ecological demonstration project construction; Chongqing Municipality has added R&D and manufacturing of small and medium-sized agricultural machinery suitable for hilly and mountainous areas; Guizhou Province has added R&D and production of computing power basic software and hardware; and Qinghai Province has added wind power plant operation.

This adjustment not only helps to balance the regional layout of foreign investment in China but also provides foreign investors with more market choices with regional characteristics and policy benefits.[\[DLCA2\]](#)

3. Tips for Foreign Investors

To better adapt to the new policy environment and maximize potential policy benefits, you should pay attention to the following policy changes and supporting preferential policies.

3.1 Standardization of Industry Policy Entry Codes

The 2025 Catalogue has standardized the codes of industrial policy entries. The codes of the entries in the National Catalogue are composed of "AC" and three digits, while the codes of the entries in the Regional Catalogue are composed of "HB" and four digits. This allows for standardization throughout the relevant procedures for government application/approvals (e.g., project confirmation and tax reduction and exemption applications).

3.2 Supporting Preferential Policies

The Chinese government has also issued a series of supporting policies that relate to the 2025 Catalogue to form a "combination of policies" to attract foreign investment.

I. Tax Incentive

On July 7, 2025, the National Development and Reform Commission and other relevant departments issued *the Notice on Implementing Several Measures for Encouraging Domestic Reinvestment by Foreign-Invested Enterprises* (hereinafter referred to as the "**Notice**"). The Notice clearly points out that if the projects invested by foreign-invested enterprises are in line with the 2025 Catalogue in reinvestment, the entity can enjoy the relevant support policies for imported equipment. Taken together with the *General Administration of Customs*, this means that foreign-invested projects (including capital increase projects) within the scope of the 2025 Catalogue shall enjoy customs duties exemption for self-use equipment imported within the total investment, as well as the technologies and supporting parts and components imported with the above equipment in accordance with the contract.

For ongoing foreign-invested projects that are not within the scope of the 2022 Edition Catalogue but within the scope of the 2025 Edition Catalogue, the imported self-use equipment and related technologies and supporting parts and components of the project can also enjoy the above import tax preferential policies, but the taxes already levied on the imported equipment will not be refunded.

I. Land Support

For the encouraged industrial projects with intensive land use, the foreign investor will be given priority for the required land. The transfer base price can be determined at no less than 70 percent of the minimum national industrial land transfer price at the corresponding local area. The Notice further clarifies that foreign-invested enterprises are encouraged to flexibly adopt long-term lease, lease-then-transfer, elastic-term transfer and other ways of industrial land when reinvesting in China, so as to reduce the initial land use cost.

I. Foreign Exchange and Financial Support

The Notice clarifies that if foreign-invested enterprises carry out domestic reinvestment with legally generated foreign exchange profits, or foreign investors carry out domestic reinvestment with legally obtained foreign exchange profits in China, the relevant foreign exchange funds can be transferred within China in accordance with the regulations. In addition, if the conditions in the Notice are met, the invested enterprise or the equity transferor does not need to go through the foreign exchange control registration formalities for receiving domestic reinvestment. Furthermore, for the foreign-related shareholder loans and "Panda Bonds" needed for domestic reinvestment of qualified foreign-invested enterprises, the management process will be included in the "green channel" for processing.

4. Conclusion

The 2025 Catalogue is shifting China's government support into high-value manufacturing, consumption industries and, geographically, northwestern China and Hainan Province. Any foreign investors who may have investment or reinvestment plans in the foreseeable future should be conscious of the policy direction changes implied in the 2025 Catalogue and pay close attention to the policy transition arrangements and code specifications. At the same time, they should pay special attention to the details in the supporting policies so as to improve investment returns.

