

# Guide to Accounting and Audit in **China 2025**

3<sup>rd</sup> edition



Produced in association with

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#### Disclaimer

This edition of Guide to Accounting and Audit in China 2025 was produced by a team of professionals at Dezan Shira & Associates, with Zhou Qian as technical editor. Creative design of the guide was provided by Aparajita Zadoo.

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# Preface

The start of a new year is a hectic time for foreign companies in China. To meet the various compliance deadlines scattered throughout the year, they need to begin the long and complicated process of financial reporting months in advance. Failure to comply will risk them being hit with deteriorating credit, additional fines, and penalties, and such companies might not be able to remit their profits overseas.

With businesses operating in a growing volatile, unexpected, complex, and ambiguous (VUCA) world, financial health and compliance has become more important than ever. More attention should thus be given to the audit and compliance procedures to reveal unexpected irregularities or suboptimal business practices, discover eligibility for tax incentives that had not previously been captured, as well as maximize efficiency within the organization.

China Briefing's *Guide to Accounting and Audit in China 2025 (3rd Edition)*, produced in collaboration with the audit experts at Dezan Shira & Associates, aims to walk foreign businesses through the annual audit and compliance process from start to finish, in addition to introducing China's accounting framework in a comparative context. We hope this guide helps your business add value to its annual statutory audit and compliance reporting in China.

If you and your company want to learn more about how to get ready for the annual audit and compliance, you are welcome to get in touch with Dezan Shira & Associates. For more information, please email us at [China@dezshira.com](mailto:China@dezshira.com).



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# What's New in This Guide

In this year's updated version of the *Guide to Accounting and Audit in China*, there are notable changes that require your attention:

- **New changes to China's accounting system:** In 2024, China made several significant changes to its accounting system, including the amended *Accounting Law*, the *Interim Provisions on Accounting Treatment of Enterprise Data Resources*, *Interpretation No. 17 on the Accounting Standards for Business Enterprises*, and updates to the *International Financial Reporting Standards* and the *Accounting System for Non-governmental Non-profit Organizations*. We have updated the section "New Changes to China's Accounting System" to reflect these changes and provide practical advice to help businesses prepare.
- **Legislative developments in personal information protection audits:** Following the release of the *Draft Measures for the Management of Personal Information Protection Compliance Audits* in 2023, the National Information Security Standardization Technical Committee issued the national standard *Data Security Technology - Personal Information Protection Compliance Audit Requirements (Draft for Comments)* in July 2024. The *Network Data Security Management Regulations*, published on September 24, 2024, and effective from January 1, 2025, reaffirm the legal obligation for enterprises to conduct personal information protection compliance audits. However, as of this guide production, the draft measures and standards have not been formally adopted, and most enterprises are still in a wait-and-see mode. We have reflected these developments in the "Other Types of Special Purpose Reviews" section.
- **Tax health check:** With tax compliance becoming more prominent in China, tax health checks, conducted either independently or by engaging professional institutions, have become a popular way for businesses to identify and correct non-compliance issues in their tax handling. This reduces the risk of tax penalties and avoids potential financial and reputational losses. We have included a general overview of the tax health check in the "Other Types of Special Purpose Reviews" section.
- **Human resources and payroll audit:** An HR audit can uncover hidden HR-related problems and errors, as well as potential compliance issues, especially given China's ever-evolving regulations. This enables organizations to establish best practices, thereby mitigating operational and legal risks. We have added a brief introduction to this type of special purpose audit, including the suggested frequency and methods.

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# About Dezan Shira & Associates

Dezan Shira & Associates is a pan-Asia, multi-disciplinary professional services firm, providing legal, tax and operational advisory to international corporate investors. Operational throughout China, India and ASEAN, our mission is to guide foreign companies through Asia's complex regulatory environment and assist them with all aspects of establishing, maintaining and growing their business operations in the region. With over 30 years of on-the-ground experience and a large team of lawyers, tax experts and auditors, in addition to researchers and business analysts, we are your partner for growth in Asia.

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