

State Council Revises Catalogue of Investments Requiring Government Approval.

State Council Revises Catalogue of Investments Requiring Government Approval

China's State Council has recently revised its 2013 Catalogue of Investment Projects Subject to Governmental Approval ("[Government Approval Catalogue](#)"), which will further remove or simplify the existing approval requirements for certain investment projects. The Government Approval Catalogue applies generally to all investments in fixed asset projects in China, with some special provisions for foreign direct investments and outbound investments.

Highlights:

- **Fewer types of investments will require government approval**
For 15 types of investments including iron and steel, non-ferrous metals, cement, fertilisers, shipbuilding facilities and urban water supply, the default requirement to obtain approval from the projects approval authority is replaced by a filing requirement, though an approval is still required for foreign investments in excess of a defined threshold (see below).
- **Expedited approval process with greater delegation to approving authorities at the local level**
The Government Approval Catalogue removes the automatic requirement to obtain central government approval for 23 types of investments, such as pumped-storage power stations, gas-fired power plants, thermal (non-coal) fired power plants, new ports, and new general aviation airports. For these types of investments, approval can now be obtained at the provincial level and below, rather than at the central government level.

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- **Remaining foreign investment approval requirements are subject to higher investment thresholds**

For projects in the encouraged category of the *Catalogue of Industries for Guiding Foreign Investment* (“**Foreign Investment Catalogue**”) which require Chinese majority or relative majority control, the level of investment requiring approval at central government level is increased from USD300 million to USD1 billion. Foreign investment projects below this threshold can be approved by authorities at the local level. For projects in the restricted category of the Foreign Investment Catalogue (excluding real estate), the trigger of investment approval requirements at the central government level is increased from USD50 million to USD100 million, whilst all real estate projects, and other projects in the restricted category of the Foreign Investment Catalogue below USD100 million, can be approved at the provincial level.

- **Mandatory approval requirement for outbound investments further relaxed**

Outbound investments with an aggregate Chinese investment above USD1 billion are now no longer subject to government approval, unless the project involves sensitive countries, regions or industries. The changes introduced by the new Government Approval Catalogue build on the reforms¹ to the outbound investment regime which were passed by the National Development and Reform Commission and the Ministry of Commerce in the course of 2014. These reforms replaced many of the approval requirements for outbound investments with filing requirements. Furthermore, they also provided clearer definitions to the scope of sectors and territories for which approval requirements still apply, and simplified and clarified the existing filing requirements.

Together with their associated reforms, the new Government Approval Catalogue would be welcomed by foreign investors in China, Chinese investors investing overseas as well as potential sellers of overseas assets to Chinese investors. While the new Government Approval Catalogue does not remove the need to obtain Chinese government approval or filing entirely, it greatly simplifies the process of engaging in cross-border investments and removes certain uncertainties when dealing with Chinese counterparties in these transactions.

¹ *Administrative Measures on the Approval and Filing of Outbound Investment Projects* (《境外投资项目核准和备案管理办法》); *Administrative Measures on Outbound Investment* (《境外投资管理暂行办法》)

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Reference: Catalogue of Investment Projects Subject to Governmental Approval (2014 version) (政府核准的投资项目目录(2014年本)), State Council

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