

# Law of the People's Republic of China on Certified Public Accountants

(Released on 31 October 1993 and amended on 31 August 2014)

## Chapter I General Provisions

**Article 1** This Law is formulated in order to bring into play certified public accountants' role of attestation and service in social economic activities, strengthen administration of affairs of certified public accountants, protect public interests and the lawful rights and interests of investors, and promote the healthy development of the socialist market economy.

**Article 2** A certified public accountant is a professional who has obtained the certificate of certified public accountant according to law and is commissioned to offer auditing, accounting consultancy and other accounting services.

**Article 3** A public accounting firm is an organization which is established according to law and undertakes to provide professional services of certified public accountants.

A certified public accountant who provides services shall join a public accounting firm.

**Article 4** The institute of certified public accountants is a public organization composed of certified public accountants. The Chinese Institute of Certified Public Accountants is the national organization of certified public accountants and institutes of certified public accountants in provinces, autonomous regions and municipalities directly under the Central Government are local organizations of certified public accountants.

**Article 5** The financial department under the State Council and financial departments of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government shall supervise and guide the activities of certified public accountants, public accounting firms and institutes of certified public accountants according to law.

**Article 6** Certified public accountants and public accounting firms in performance of services must abide by the law and administrative rules and regulations.

Certified public accountants and public accounting firms shall carry out their business independently and fairly according to law and shall be protected by

law.

## **Chapter II Examination and Registration**

**Article 7** The State shall adopt a unified national examination system for certified public accountants. The measures for the unified national examination shall be formulated by the financial department under the State Council and such examination shall be organized and conducted by the Chinese Institute of Certified Public Accountants.

**Article 8** Chinese citizens who have graduated from colleges or universities or who have earned the professional title of accountant or an intermediate or higher professional title in a relevant field of study may apply for attendance at a unified national examination for certified public accountants. Those who have earned the professional title of accountant or senior professional titles in a relevant field of study may be exempted from examination in certain subjects.

**Article 9** Whoever has passed the unified national examination for certified public accountants and has engaged in auditing business for more than two years may apply to the institute of certified public accountants of the province, autonomous region or municipality directly under the Central Government for registration.

Except the situations specified in Article 10 of this Law, the institute of certified public accountants that has received the application shall permit the applicant to register.

**Article 10** If the applicant is involved in any of the following circumstances, the institute of certified public accountants that has received the application shall not permit the applicant to register:

(1) if the applicant does not have the full capacity for civil conduct;

(2) if the applicant was punished for a crime and the period between the date of completing the criminal punishment and the date of application for registration is less than five years;

(3) if the applicant was subjected to an administrative sanction, or removed from office or a more serious sanction, due to grave mistakes in financial, accounting, auditing, enterprise management or other economic activities, and the period between the date of the decision for such punishment or sanction and the date of application for registration is less than two years;

(4) if the applicant was punished with the revocation of the certificate of

certified public accountant, and the period between the date of the decision for such punishment and the date of application for registration is less than five years; or

(5) other circumstances under which registration shall not be approved as stipulated by the financial department of the State Council.

**Article 11** The institute of certified public accountants shall submit the name list of applicants whose applications are approved to the financial department of the State Council for the record. If the financial department of the State Council finds any registration approved by an institute of certified public accountants to be inconsistent with the provisions of this Law, it shall notify the relevant institute of certified public accountants to cancel the registration.

If an institute of certified public accountants decides not to approve the registration of an applicant in accordance with Article 10 of this Law, it shall notify the applicant in writing within 15 days after the decision is made. If the applicant disagrees with the decision, he or she may, within 15 days after receiving the notification, apply to the financial department of the State Council or the financial department of the people's government of the province, autonomous region or municipality directly under the Central Government for reconsideration.

**Article 12** The applicants who are permitted to register shall be granted by the institute of certified public accountants a unified certificate for certified public accountants issued by the financial department of the State Council.

**Article 13** If anyone who has acquired the certificate of a certified public accountant is involved in any of the following circumstances besides the one stipulated in the first paragraph of Article 11 of this Law, the institute of certified public accountants that approved the registration shall cancel the registration and revoke the certificate for certified public accountant:

(1) having completely lost the capacity for civil conduct;

(2) being under punishment for a crime;

(3) being under an administrative sanction, or removed from office, or a more serious sanction due to grave mistakes in financial, accounting, auditing, enterprise management or other economic activities; or

(4) having stopped, of his or her own accord, serving as a certified public accountant for one year or more.

If the person concerned disagrees with the cancellation of registration, he or she may, within 15 days from the date of receiving the notification about the cancellation of registration or the revocation of the certificate for certified public accountant, apply for reconsideration to the financial department of the State Council or the financial department of the people's government of the province, autonomous region or municipality directly under the Central Government.

Persons whose registration has been cancelled in accordance with the provisions of the first paragraph may apply for registration anew, but the provisions of Article 9 and Article 10 of this Law must be complied with.

### **Chapter III Business Scope and Rules**

**Article 14** Certified public accountants shall undertake the following audit services:

- (1) examining the financial statements of enterprises and issuing audit reports;
- (2) verifying the capital of enterprises and issuing capital verification reports;
- (3) dealing with audit services in matters of merge, spin-off or liquidation of enterprises and issuing relevant reports; and
- (4) other audit services stipulated by relevant laws and administrative rules and regulations.

The reports issued by certified public accountants engaged in audit services according to law shall be authentic.

**Article 15** Certified public accountants may undertake accounting consultancy and accounting services.

**Article 16** All professional engagements to be undertaken by certified public accountants shall be accepted by the public accounting firm to which they belong and which shall sign engagement letters with the clients.

The public accounting firm shall assume civil liabilities for the services provided by its certified public accountants in accordance with the provisions of the preceding paragraph.

**Article 17** When rendering services, certified public accountants may, where necessary, inspect the relevant accounting materials, documents and visit the business site and facilities of the client and require that the client provide other necessary assistance.

**Article 18** If there is a connection between a certified public accountant and a client, the certified public accountant shall withdraw; and the client shall have the right to demand the certified public accountant to withdraw.

**Article 19** Certified public accountants shall have the obligation to keep their clients' trade secrets they come to know in carrying out their business.

**Article 20** In rendering their audit services, certified public accountants may, under any of the following circumstances, refuse to issue a report to their clients:

(1) The client indicates that they should provide untruthful or improper verification;

(2) The client intentionally refuses to provide relevant accounting materials and documents; or

(3) Due to other unreasonable requirements from the client, the report to be issued by certified public accountants cannot provide a correct statement of the material financial matters.

**Article 21** The certified public accountants must, in rendering audit services, issue audit reports in accordance with the audit procedures set in the professional standards and rules.

When preparing reports in the course of rendering audit services, certified public accountants may not commit any of the following acts:

(1) to refrain from pointing out while clearly knowing that the client's processing of the material financial matters contravenes the relevant provisions of the State;

(2) to conceal facts or issue an untruthful report while clearly knowing that the client's processing of the financial accounting will directly impair the interests of the users of the report or other stakeholders;

(3) to refrain from pointing out while clearly knowing that the client's processing of the financial accounting may substantially mislead the users of the report or other stakeholders; or

(4) to refrain from pointing out while clearly knowing that the statement on material financial matters contain other false information.

Where certified public accountants ought to know the acts of their clients

specified above in accordance with the professional standards and rules, the provisions of the preceding paragraph shall apply.

**Article 22** Certified public accountants shall not commit any of the following acts:

(1) in the course of rendering audit services, to buy or sell stocks or debentures of the entities audited or purchase other property of the entities or individuals audited during the period such acts are prohibited as prescribed by the laws and administrative rules and regulations;

(2) to ask for or accept remuneration or other forms of payment in cash or in kind in addition to what is agreed upon with the client in a contract, or seek other unlawful interests by taking advantage of their services;

(3) to undertake commission on debt collections;

(4) to allow others to carry out services in the name of the certified public accountant;

(5) to work simultaneously at two or more public accounting firms;

(6) to advertise their qualifications to solicit business; or

(7) other acts in violation of the laws or administrative rules and regulations.

#### **Chapter IV Public Accounting Firm**

**Article 23** A public accounting firm may be established by certified public accountants in partnership.

The obligations of a public accounting firm in partnership shall be borne by the partners with their own property according to the proportion of their respective capital contributions or to their agreement. The partners shall bear joint liabilities as to the obligations of the public accounting firm.

**Article 24** A public accounting firm conforming to the following requirements may be a legal person with limited liabilities:

(1) having a registered capital of no less than Renminbi (“RMB”) 300,000;

(2) employing a certain number of full-time professionals, among whom there must be at least five certified public accountants; and

(3) the business scope and other requirements as stipulated by the financial

department of the State Council.

Public accounting firms with limited liabilities shall bear obligations with their total assets.

**Article 25** The establishment of a public accounting firm shall be subject to the approval of the financial department of the people's governments of the provinces, autonomous regions or municipalities directly under the Central Government.

To apply for establishment of a public accounting firm, the applicant shall submit to the examining and approving authorities the following documents:

- (1) an application;
- (2) the name, organization structure and premises of the public accounting firm;
- (3) the articles of association of the public accounting firm, and the agreement of partnership if there is any;
- (4) the name list, resumes and relevant certificates of the certified public accountants;
- (5) the names, resumes and relevant certificates of the leading persons and partners of the public accounting firm;
- (6) the certificate of capital contributions of the public accounting firm with limited liabilities; and
- (7) other documents required by the examining and approving authorities.

**Article 26** The examining and approving authorities shall decide whether to approve or not within 30 days from the date of receiving the documents of application.

Public accounting firms approved by the financial departments of the people's governments of provinces, autonomous regions or municipalities directly under the Central Government shall be filed with the financial department of the State Council for the record. If the financial department of the State Council finds the approval to be inappropriate, it shall, within 30 days from the date of receiving the report, notify the original examining and approving authorities to review the case.

**Article 27** Establishment of a branch of a public accounting firm shall be subject to the approval of the financial department of the people's government of the

province, autonomous region or municipality directly under the Central Government where the branch is to be located.

**Article 28** Public accounting firms shall pay taxes according to law.

Public accounting firms shall set up a professional risk fund and undertake professional insurance as prescribed by the financial department of the State Council.

**Article 29** In regards to engagement acceptance, public accounting firms shall not be limited by administrative regions or trades, except as otherwise provided by the laws, administrative rules and regulations.

**Article 30** No unit or individual shall interfere in the services rendered by the public accounting firms as engaged by the clients.

**Article 31** The provisions of Articles 18 to 21 of this Law shall be applicable to public accounting firms.

**Article 32** Public accounting firms shall not commit any of the acts listed in Items 1 to 4, Item 6 and Item 7 of Article 22 of this Law.

## **Chapter V Institute of Certified Public Accountants**

**Article 33** A certified public accountant shall join an institute of certified public accountants.

**Article 34** The Articles of Association of the Chinese Institute of Certified Public Accountants shall be formulated by the national congress of the members of the Institute and filed with the financial department of the State Council for the record. The articles of association of the institutes of certified public accountants of provinces, autonomous regions or municipalities directly under the Central Government shall be formulated by the congresses of the members of the institutes and filed with the financial departments of the people's governments of the provinces, autonomous regions or municipalities directly under the Central Government for the record.

**Article 35** The Chinese Institute of Certified Public Accountants shall draft the professional standards and rules for certified public accountants according to law and implement them upon obtaining approval from the financial department of the State Council.

**Article 36** The institutes of certified public accountants shall support the certified public accountants in rendering their services according to law, safeguard their



legitimate rights and interests and convey their opinions and suggestions to the relevant authorities.

**Article 37** The institutes of certified public accountants shall carry out annual inspection of the qualifications and the performance of the professional services by the certified public accountants.

**Article 38** The institutes of certified public accountants shall acquire the status of body corporate according to law.

## **Chapter VI Legal Liability**

**Article 39** If a public accounting firm violates the provisions of Article 20 or Article 21 of this Law, the financial department of the people's government at or above the provincial level shall give a warning to the firm, confiscate its illegal income and may concurrently impose a fine of not less than one time, but not more than five times the value of the illegal income. If the circumstances are serious, the financial department of the people's government at or above the provincial level may also suspend the firm's business operation or revoke the firm's business licence.

If a certified public accountant violates the provisions of Article 20 or Article 21 of this Law, the financial department of the people's government at or above the provincial level shall give a warning to the accountant. If the circumstances are serious, the financial department of the people's government at or above the provincial level may have the accountant suspended rendering the professional services or revoke the certificate of the certified public accountant.

A public accounting firm or a certified public accountant, that, in violation of the provisions of Article 20 or Article 21 of this Law, intentionally issues untruthful audit reports or capital verification reports shall, if the case constitutes a crime, be investigated for criminal responsibilities according to law.

**Article 40** If a unit undertakes the services defined for certified public accountants under Article 14 of this Law without prior approval, the financial department of the people's government at or above the provincial level shall order the unit to stop its illegal activities, confiscate its illegal income and may concurrently impose a fine of not less than one time, but not more than five times the value of the illegal income.

**Article 41** If the party concerned disagrees with the decision on administrative sanctions, it may, within 15 days from the date of receiving the notification of the decision on sanctions, apply for reconsideration to the organ at the next higher level

than the organ that made the decision on sanction. The party concerned may also, within 15 days from the date of receiving the notification of the decision on sanction, directly bring a lawsuit before a people's court.

The organ giving reconsideration shall make a decision within 60 days from the date of receiving the application for reconsideration. If the party concerned disagrees with the decision made after reconsideration, it may bring a lawsuit before a people's court within 15 days from the date of receiving the decision. If the organ giving the reconsideration fails to make a decision within the time limit, the party concerned may bring a lawsuit before a people's court within 15 days from the expiration of the time limit for reconsideration.

If the party concerned neither applies for reconsideration within the time limit, nor brings a lawsuit before a people's court, nor complies with the decision on sanction, the organ making the decision may apply to the people's court for compulsory execution.

**Article 42** If a public accounting firm violates the provisions of this Law and causes losses to its client or other stakeholders, it shall bear the liability for compensation according to law.

## **Chapter VII Supplementary Provisions**

**Article 43** A certified public auditor working in an audit firm, who has been recognized as qualified for a certified public accountant, may render the services provided by this Law. Measures for recognition of qualifications, and for supervision, guidance and administration of such auditors shall be formulated separately by the State Council.

**Article 44** Foreigners' applications for participation in the National Uniform CPA Examination of China and for registration as CPAs shall be dealt with on a reciprocal basis.

The temporary practice in China by a foreign accounting firm shall be approved by the finance department of the people's governments of the provinces, autonomous regions, or municipalities directly under the Central Government.

**Article 45** The State Council may formulate regulations for implementation in accordance with this Law.

**Article 46** This Law shall go into effect as of January 1, 1994. The Regulations of the People's Republic of China on Chinese Certified Public Accountants promulgated by the State Council on July 3, 1986 shall be annulled therefrom.

(CICPA organized translation of the Law into English. The Chinese text is the official version and this English text is for reference only.)