

June 25, 2025

I. First Private Economy Promotion Law to boost private economy and promote fair competition and equal treatment

1. Background

On April 30, 2025, the 15th Meeting of the Standing Committee of the 14th National People's Congress passed **the Private Economy Promotion Law** (the "PEPL"), which came into force on May 20, 2025.

The PEPL is prominent not only being the first basic law related to the development of private economy issued in China, shaping the legal framework of private economy law, but also establishing the legal status of private economy for the first time.

The PEPL consists of 9 chapters in total, including General provisions, Fair competition, Investment and financing promotion, Technological innovation, Standardized operations, Service guarantee, Protection of rights and interests, Legal liability and Supplementary provisions.

Private economic organizations refer to profit legal persons, unincorporated organizations, and individual businesses legally established within the territory of China and controlled or actually controlled by Chinese citizens, as well as for profit legal persons and unincorporated organizations controlled or actually controlled by the aforementioned organizations, which are playing an increasingly important role in China's economic development. Foreign invested enterprises also fall within the scope of private economy organizations.

2. Highlights

2.1 Implementation of the Negative List System

The PEPL implements a nationwide unified Negative List system for market access. Fields outside the Negative List for market access, various economic organizations including private economic organizations can enter equally in accordance with the law. The current number of items on the Negative List has been reduced to 106, no matter state-owned or private enterprises, domestic or foreign, large or small and medium-sized enterprises, can enter equally for market access outside the negative list in accordance with the law.

2.2 Fair competition review system

Governmental departments at different levels will implement fair competition review system, formulating relevant policy measures involving production and business activities of the operating entity shall conduct fair competition review and timely evaluation.

2.3 Investment and financing promotion

The PEPL promotes investment and financing in private companies in strategic emerging industries, future industries, etc. Additionally, a sound credit information collection and sharing mechanism will be established, which supports credit reporting agencies to provide credit reporting services for private economic organizations to obtain financing, and provides convenience for private economic organizations to obtain financing.

2.4 Technology innovation

The PEPL stipulates that the State encourages and supports private economic organizations to play an active role in promoting scientific and technological innovation, fostering new quality productive forces and

building a modern industrial system. In addition, private economic organizations will be supported to strengthen the application of new technologies, carry out experiments in the application of new technologies, products, services and modes, give full play to the role of the technology market and intermediary service institutions, and promote the application and promotion of scientific and technological achievements in a variety of ways.

2.5 Rights and interests' protection

The PEPL specifies equal protection of private economy's rights to build a fair competition market environment with the following:

- The procedures for expropriation and requisition will be strictly regulated and to assure compensation standards to be consistent with those of state-owned enterprises.
- Banking financial institutions will accept security methods that meet the needs of the lending business and provide loans to private economic organizations by pledging rights such as accounts receivable, warehouse receipts, equity and intellectual property in accordance with laws and regulations.
- PEPL assures that large enterprises that purchase goods, projects, services, etc. from SMEs shall reasonably agree on payment terms and pay accounts in a timely manner, and shall not use the receipt of third-party payments as a condition for paying accounts to SMEs in accordance with article 68. This is in response to the prior "back-to-back" clauses policy which may harm SME's interests. "Back-to-back" clauses refer to clauses stipulating that large enterprises must receive payments from third parties such as owners or upstream purchasers as a premise for making payments to SMEs. The PEPL strengthened the protection of SMEs' rights and interests in this aspect.

3. Impact on Private enterprises

Private enterprises shall take into consideration the following for achieving advanced development:

- **Internal compliance improvement**

Establish or improve their internal compliance management system, covering aspects of contract review, legal, tax risk etc. for their future investment and financing process.

- **Keep up with opening-up opportunities**

Pay close attention to the newly opened industries and fields which are not listed in the Negative List, private enterprises can leverage their technological advantages to seek new opportunities and engage in project cooperation in newly opened fields.

4. Conclusion

As the first fundamental law regarding private economic development, the PEPL establishes the legal status of private economy aiming at boosting its development and addresses the imbalance treatment between state-owned enterprises and the private sector, currently there aren't many corresponding implementation rules yet issued for the PEPL. In the future, with the improvement of supporting regulations and the deepening of local practices, the long-term significance of the PEPL is not only limited to ensuring fair competition for private enterprises, but also to promoting economic development.

II. Newly implemented flexible retirement system in 2025

1. Background

On January 1, 2025, the Ministry of Human Resources and Social Security and two other departments issued the Interim Measures for Implementing the Flexible Retirement System, which specify clear provisions on the procedures for handling flexible retirement and receiving basic pension (the "Interim Measures"). The Measures came into effect from January 1, 2025.

According to a previous text issued on September 13, 2024, the Decision on Implementing Gradual Delay of Statutory Retirement Age (the "Decision") employees can voluntarily choose flexible early retirement or delayed retirement. The Interim Measures clarify the procedures for handling flexible retirement and the protection of rights and interests, and put forward requirements for optimizing social security handling services to better implement the flexible retirement system.

2. Highlights

The Decision declares that statutory retirement ages for male and female employees can be adjusted: The statutory retirement age for male employees has been extended from the original age of 60 to 63, and the statutory retirement age for female employees has been extended from the original age of 50 and 55 to 55 and 58 respectively.

Additionally, there is a flexible retirement system in which the employees can choose to retire in advance flexibly.

Employees who have reached the minimum monthly payment period for basic pension as stipulated by the state may voluntarily choose flexible early retirement, with a maximum lead time of 3 years from the statutory retirement age, and the retirement age shall not be lower than the original statutory retirement age of 50 or 55 for female employees and 60 for male employees. If an employee reaches the statutory retirement age and employer and employee reach a consensus through consultation, the employee may flexibly delay the retirement for a maximum of 3 years.

3. Procedures for flexible retirement

3.1 Early retirement

If an employee voluntarily chooses flexible early retirement, they must inform the employer in writing at least three months before the chosen retirement date. This regulation is mainly based on two considerations: on the one hand, it clarifies that the notification form is "written" to ensure that flexible early retirement is the true intention of the employee; On the other hand, specifying the time for advance notification facilitates the preparation in the regard of personnel arrangements by employers.

3.2 Delayed retirement

The employee can choose voluntarily the period of extension of employment, but such a period cannot be over 3 years. The delayed retirement period will not be extended again after being established. The employer and employee shall specify in writing the extension of retirement time one month in advance. For instance, if an employee reaches the statutory retirement age (female employee 55 years old for normal position and 58 years old for management position, male employee 63 years old) and intends to continue to work in the company, the employee shall propose to continue to perform the labor contract. If the employer agrees to continue the labor contract, the maximum renewal period is 3 years. The corresponding maximum renewal ages for male employees are 66 years old, for female employees are 58 years old and 61 years old.

During the flexible delayed retirement period, the labor relationship between the employer and the employee continues. The employer shall pay social security in full and on time, and protect the legitimate rights and interests of the employee in accordance with the laws and regulations such as the Labor Contract Law.

The Interim Measures reflect the consensus reached by both parties, safeguard the rights and interests of employees during flexible delayed retirement periods, and contribute to stabilizing the expectations of employers and employees. Civil servants, leaders of state-owned enterprises and institutions, and other management personnel shall promptly handle retirement procedures when they reach the statutory retirement age.

4. Impact on enterprises

As it will be more flexible for employees to adjust the retirement ages by choosing early retirement or delayed retirement in the future, enterprises shall abide by certain requirements and formalities.

- Keep record of the statutory age of each employee

Under the new retirement system, each employee's statutory retirement age differs. Thus, it is necessary to record each employee's specific statutory age and corresponding date of retirement, and prepare before the corresponding time, and inform employees to handle retirement procedures in a timely manner.

- Establish the internal retirement process/system

As it is a newly implemented practice from 2025, enterprises shall establish relevant retirement processes or systems to better manage

each employee's retirement arrangements of early retirement or delayed retirement. The internal Employee Handbook shall be also amended accordingly. During the flexible delayed retirement period, if the labor relationship between the employer and the employee continues, the employer and employee should pay social security in full and on time.

5. Conclusion

Enterprises shall plan the retirement process in advance and provide detailed internal rules in the Employee Handbook regarding the procedures after reaching retirement age by strengthening communication and establishing relevant systems. At the same time, regardless of whether employees choose to retire early or late, companies must implement in writing their willingness to "flexibly" retire early or late, as well as the timing of retirement.

Asiallians will keep you updated for further information.

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