Weekly China Insight

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China offers 10% tax credit to foreign firms that reinvest profits made in China locally

On 1 July, the Chinese finance ministry (MoF), the tax regulator (STA), and the commerce ministry (MofCom) jointly unveiled new tax incentives allowing foreign investors to deduct 10% of reinvested profits from their annual tax obligations, retrospectively applicable from the start of 2025 to the end of 2028. This preferential tax policy applies to profits reinvested into qualified industries listed in the national Catalogue for Encouraged Foreign Investment and requires a minimum investment holding period of five years. Eligible reinvestments include capital injections into unlisted Chinese firms, new company formations, and equity acquisitions from non-affiliated entities, but exclude most public equity investments. Deferred tax benefits can be carried forward, and retroactive claims for reinvestments made since 1 January 2025 will be granted.

This targeted preferential tax policy for foreign companies strengthens China's bid to retain foreign capital amid global economic headwinds and rising geopolitical frictions. This is a concrete step taken by Beijing to pivot toward incentivizing long-term, strategic investment in priority sectors.

BYD begins production at Brazil plant, deepening its localization efforts

On 1 July, the leading Chinese electrical vehicle (EV) maker BYD officially began production at its new passenger vehicle factory in Brazil, marking the company's first EV plant outside Asia and a key milestone in its global expansion strategy. The plant, acquired from Ford in 2024 and reconstructed in 16 months, will produce three models, with an annual production capacity of 150,000 units. Backed by approximately USD 1 billion investment, the facility is expected to generate up to 20,000 jobs when fully operational, and has already employed over 1,000 workers, 80% of whom are local. BYD emphasized its goal of "made by Brazilians, for Brazilians" and announced plans for a local R&D center, further embedding itself in Brazil's industrial and technological ecosystem. Despite ongoing labor rights litigation and regulatory challenges, including Brazil's EV import tariff hikes, BYD sales in Brazil have captured a 9.7% retail market share in May.

BYD's plant in Brazil not only cements its position as a dominant EV player in Latin America but also showcases its adaptive localization strategy amid rising trade barriers and geopolitical frictions.

Top 100 Chinese real estate developers' H1 sales fall nearly 11% y/y

On 30 June, domestic real estate industry data revealed that China's top 100 property developers recorded cumulative sales of RMB 1.65 trillion in H1 2025, down 10.8% y/y, with June sales alone plummeting 22.8% y/y to RMB 338.96 billion, a huge acceleration from

May’s 8.6% y/y drop. The June property sales decline reflects both high base effects from last year’s policy stimulus and continued market weakness. Last June’s sales figures had spiked 36.3% m/m after sweeping stimulus measures, but real estate sales have since failed to sustain momentum. Analysts note a “front-loaded” sales pattern this year, with Q2 declines intensifying due to fading policy effects and still-weak fundamentals. While month-on-month growth in May and June offers seasonal relief, it remains well below historical averages.

With H1 2025 sales now just 27% of their 2021 level, China's property market remains structurally subdued. Further coordinated fiscal, monetary, and housing reforms are expected to ensure market stabilization in this crucial sector for China’s economy.

China launches “Category C” drug list to boost commercial coverage of innovative drugs

On 1 July, China’s state-owned health insurance regulator (NHSA) and health ministry (NHC) unveiled new measures to expand people’s access to innovative drugs through a “Category C” list, formally known as the Commercial Health Insurance Innovative Drug Catalogue. This long-anticipated development aims to include high-value, cutting-edge therapies that exceed the scope of the basic government-funded medical insurance, which covered 1.33 billion people in 2024 but remains constrained by low per capita premiums. The new drug catalogue, to be drafted by the NHSA with inputs provided by insurers and healthcare experts, will enable companies to apply for both public and commercial insurances, allowing insurers to gain decision-making power over price and access. While the specifics on inclusion criteria and pricing mechanisms remain under development, drugs on the catalogue will be exempt from cost-containment policies like diagnosis-related group (DRG) based pricing and centralized procurement, and benefit from stricter confidentiality measures to support overseas expansion.

The rollout of the Category C list marks a structural pivot in China’s pharmaceutical policy to shift toward diversified payment systems and market-driven access to innovative drugs, potentially unlocking new demand for innovative therapies and offering domestic firms a springboard for global competitiveness.