



Shanghai renews R&D center incentives

In brief

- » Shanghai has unveiled new Regulations to boost foreign investment in R&D, effective 1 December 2025, replacing its 2020 policy. The updated rules refine the criteria for three types of foreign-invested R&D centers (local and global R&D centers), and innovation platforms, and offer special fiscal grants for the latter two.

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In details

The Shanghai Municipal Commission of Commerce announced a new policy on 25 November 2025, to strengthen incentives for foreign investment in R&D. The *“Regulations for Encouraging the Establishment of Foreign-Invested R&D Centers”* (hereinafter as the **Regulations**) have taken effect from 1 December 2025, superseding its 2020 version.

Shanghai's new Regulations categorize foreign-invested R&D centers into three types, each with distinct roles and recognition criteria.

New incentives to R&D investment

The new Regulations have brought about several key changes to streamline the application process and raise the bar for R&D investment, as highlighted below:

- Introducing a specific timeframe for R&D investment commitments;
- Assessing cumulative R&D spending based on the most recent three years rather than entire history;
- Amending the criteria for global R&D hubs, which is now increased significantly, mandating a minimum of 50 R&D staff and USD 20 million in R&D investment (doubling the previous capital threshold); and
- Stipulating the levels of fiscal incentives available, providing greater transparency for applicants.

New recognition criteria

The Regulations have specified the new recognition criteria for three types of foreign-invested R&D entities, i.e.:

- Local R&D labs;
- Global R&D hubs; and
- Innovation platforms.

The details of their recognition criteria and the amount of grants are set out in the table below.

	A. Local R&D lab	B. Global R&D hub	C. Innovation platform
Eligible applicants	A Shanghai R&D entity focused on basic research, applied product research or high-tech research.	A Shanghai entity (or division) formally designated by its parent group as a global R&D hub, possessing unique R&D platforms and managing global projects.	A Shanghai entity that operates an open innovation platform to foster collaboration with start-ups by providing facilities, space, and expert guidance.
Recognition criteria	Foundation criteria: <ol style="list-style-type: none"> 1. Registered in Shanghai; 2. R&D activities align with Shanghai's industrial policies; 3. Active R&D projects, equipment, premises, and facilities; and 4. R&D spend \geq USD 2 million (past 3 years). 	Additional criteria: <ol style="list-style-type: none"> 1. Group-designated R&D hub; 2. R&D spend \geq USD 20 million (past 3 years); 3. Min. 50 R&D staff; and 4. China R&D spend vs. global total: <ol style="list-style-type: none"> a) Min. 10% for an entity; b) Min. 5% for an entity (if global R&D spend \geq USD 100 million); or, c) Min. 20% for a division. 	Additional criteria: <ol style="list-style-type: none"> 1. Min. USD 2 million investment; 2. Min. 1,000 m² of premises; 3. Min. 10 active projects in R&D or innovation areas; and 4. Proof-of-concept capability, with existing facilities, equipment, and expert support.
Fiscal grants¹	Not specified.	RMB 5 million.	RMB 3 million (<i>platforms of at least 5 specialists & 5 mature projects</i>).

1. Per the *“Development Fund Measures for Regional Headquarters of Shanghai Multinational Corporations”* issued on 27 August 2025 by Shanghai Finance Bureau and Shanghai Commission of Commerce.

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Additional benefits

Apart from fiscal grants, R&D centers can benefit from a series of administrative supports, such as the following.

- **Data flow facilitation:** Centers can gain access to a priority channel for cross-border R&D data transfers, supported by dedicated personnel. Where permissible, data flows may be exempted from standard export security reviews.
- **Forex exchange supports:** Priority support is available from financial institutions for opening free trade accounts, facilitating cross-border financing, technology trade, franchising, licensing, and cash pooling. Staff are also eligible for personal free trade accounts to simplify foreign exchange conversion.
- **Service trade supports:** Dedicated financial services include tax filing guidance and a green channel for contract registration and tax assessments related to service transactions.
- **Shanghai residency privilege:** Non-local high-end talent meeting city regulations may apply for household registration (*hukou* in Mandarin) transfer. Qualified overseas professionals can be granted long-term residence permits valid for up to ten years. Centers can also employ foreign university graduates for work or internships.
- **Professional accreditation:** Support is provided to help high-end talent obtain professional certifications and titles, both domestically and internationally.
- **Immigration priority:** High-end talent can receive special immigration considerations, including on-site work visa applications, multiple-entry visas, expedited customs clearance (online luggage declaration, priority processing), and green channels for health certificates. They are also eligible for longer-term foreign residence permits (3-5 years) or priority consideration for permanent residence.
- **Duty-free imports:** Under current policy, imported supplies for R&D and academic study are exempt from import duty, VAT, and consumption tax.
- **R&D tax incentives:** Centers can benefit from preferential tax policies, including additional pre-tax deductions for their own R&D expenses and for funds allocated to support basic research at non-profit institutions, universities, and government-backed funds.

WTS China's observation

The race to host the world's next great R&D labs is on, and for cities like Shanghai, attracting elite talent is no longer just an advantage — it's essential for survival. Across China, a new wave of competitive policy-making is underway to win these high-stakes investments.

A prime example of this momentum is Volkswagen Group's inauguration of its new, comprehensive R&D center in Hefei, east China's Anhui Province in mid-2024, now its largest outside Germany. This milestone illustrates the tangible results of China's growing appeal as an R&D powerhouse.

Now, Shanghai is raising the stakes. With its newly issued Regulations, the city is throwing down the gauntlet, signaling its on-going commitment to lead the pack. For businesses, this means unprecedented opportunities—and a clear call to meet a new standard of excellence.



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