

Research on Fiscal and Taxation Policies to Promote the Development of Small and Medium-sized Enterprises

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Abstract: With the development of the economy, SMEs, as an important force in national economic construction, play an indispensable role in promoting China's economy. However, SMEs have always been in a relatively weak position in the market. Therefore, through research on promoting fiscal and taxation policies for SMEs, SMEs can make full use of the orderly development environment provided by fiscal and taxation policies, continuously promote their own healthy development, and ensure benign growth.

1. Introduction

As an important force to promote China's economic development, small and medium-sized enterprises should give high priority to China and actively support the development of small and medium-sized enterprises. However, in the current society, SMEs tend to have insufficient capital, tax burden, and market competitiveness when compared with other large enterprises and state-owned enterprises due to small assets and social responsibilities. Insufficient and low-margin margins, it is difficult for SMEs to achieve long-term development. Under such circumstances, the state should increase fiscal and tax support policies for small and medium-sized enterprises and promote the rapid development of small and medium-sized enterprises.

2. Current Status of Fiscal and Taxation Policies to Promote the Development of SMEs

Since 2003, China has implemented the "Small and Medium Enterprises Promotion Law of the People's Republic of China" (hereinafter referred to as the "Small and Medium Enterprises Promotion Law"), in which SMEs refer to enterprises established in accordance with the law within the territory of the People's Republic of China, with relatively small personnel scale and business scale. The Law on the Promotion of Small and Medium-Sized Enterprises was revised at the 29th meeting of the Standing Committee of the 12th National People's Congress on September 1, 2017, and will take effect on January 1, 2018.

At present, the fiscal and tax support policies for promoting the development of small and medium-sized enterprises include that the central government should set up SME subjects in the budget of this level, and arrange special funds for the development of small and medium-sized enterprises. The local people's governments at or above the county level should, in accordance with the actual situation, be in the financial budget of this level. Arrange special funds for the development of SMEs. The special funds for the development of small and medium-sized enterprises are mainly used to support the construction of public service systems and financing service systems for small and medium-sized enterprises through subsidies, purchase services, and incentives. The State has established a small and medium-sized enterprise development fund, which is mainly used to guide and mobilize social funds to support start-up SMEs and promote entrepreneurial innovation by following the principles of policy-oriented and market-oriented operation. Local people's governments at or above the county level can set up SME development funds. . At the same time, the state also implements a taxation policy conducive to the development of small and micro enterprises, and implements measures such as deferring, reducing, exempting corporate income tax and value-added tax from small and micro-sized enterprises that meet the requirements, simplifying the tax collection and management procedures, and reducing the tax

burden on small and micro enterprises. We also implemented preferential policies such as reductions and exemptions for administrative fees for small and micro enterprises to reduce the burden on small and micro enterprises. Specifically, VAT preferential policies, corporate income tax incentives, and other support policies are gradually being implemented. For example, in 2017, the 13% VAT rate will be reduced to 11%. In 2018, the VAT rate will be further reduced. The original 17% will drop to 16%, the original 11% will be reduced to 10%, and the VAT small-scale taxpayer standard will be raised to 500,000 yuan, while allowing under certain conditions, general taxpayers can be converted into small-scale taxpayers, SMEs with a monthly turnover of less than 90,000 yuan can be exempted from value-added tax. In terms of income tax, the annual taxable income of small and micro enterprises is less than 500,000 yuan, which is halved, and the research and development expenses of small and medium-sized enterprises are deducted by 75%.

It can be seen from this that in recent years, with the in-depth development of the national economy, the Chinese government has introduced many of the above fiscal and taxation policies in light of the state of national development, and has achieved certain results [1]. However, there are still many difficulties in the development of SMEs in China. Therefore, in order to promote the development of SMEs, fiscal and taxation policies should also be adjusted and improved accordingly.

3. The Shortage of Fiscal and Taxation Policies to Promote the Development of Small and Medium-Sized Enterprises

First of all, fiscal and taxation policies focus on the stage and lack long-term sustainability to some extent. At present, a considerable part of the implementation of fiscal and taxation policies has a phased implementation goal, and often ignores long-term sustainable policies, which will reduce the enthusiasm of SMEs' venture capital investment, which is not conducive to the long-term strategic planning and long-term resources of SMEs [2]. At the same time, the implementation and intensity of some fiscal and taxation policies are not enough. For example, according to the statistics of the SME Yearbook of the past years, we can find that the absolute amount and growth rate of China's central government special funds cannot meet the increasing capital demand of the current SMEs. Continue to increase funding for SMEs [3].

Secondly, the legal support structure of SMEs is not perfect, and the propaganda of fiscal and taxation policies is insufficient. At present, the law for the introduction of small and medium-sized enterprises in China is mainly the aforementioned SME promotion law. It is not difficult to find that the existing fiscal and taxation policies that promote the development of small and medium-sized enterprises are mainly based on policy support, lacking corresponding legal system guarantees, and this will lead to taxation. There may be some arbitrariness in the process of law enforcement by the authorities. At the same time, there is a lack of publicity on the various fiscal and taxation policies introduced, and more SMEs cannot understand the policy in the first time and correctly interpret the relevant policies, thus failing to ensure the effective implementation of fiscal and taxation policies [4].

Finally, the tax incentives are not perfect enough, and the overall tax burden of SMEs needs to be further reduced. For example, for SMEs with monthly sales of no more than 30,000 and quarterly sales of no more than 90,000, they can enjoy the preferential policy of exemption from VAT. In the process of implementation, once the SMEs exceed the corresponding threshold, they must be fully taxed. As a result, the marginal tax burden is relatively large, which will lead to unreasonable tax evasion and tax avoidance. At the same time, in terms of income tax, most of the current policies are aimed at high-tech enterprises, while other SMEs have the need to reduce tax rates in the existing competitive environment. Therefore, it is necessary to learn from existing policies to appropriately reduce the overall tax burden of other SMEs.

4. Financial and Tax Policy Recommendations to Promote the Development of Small and Medium-Sized Enterprises

The relevant government departments should analyze the specific situation in detail, according to the current situation of the development of small and medium-sized enterprises in China, and further expand the scope of tax incentives under the premise of retaining the previous tax incentives to ensure that most of the tax incentives for Chinese SMEs can be avoided, and tax incentives can be avoided [5]. The relevant departments of the Chinese government can also apply special policies to some labor-intensive small and medium-sized enterprises. Since labor-intensive enterprises often have the characteristics of high labor costs, the relevant government departments can introduce tax preferential policies on the deduction of labor costs. Further promote the all-round development of China's labor-intensive SMEs. The relevant departments of the Chinese government can also reduce the tax burden of SMEs by formulating new tax incentives, and implement additional deductions according to the expenditures of the most SMEs, which can effectively reduce the actual tax burden of SMEs. In addition, China's current tax incentives for deductions for research and development expenditures, the relevant government departments can also implement an additional deduction system for equipment and talents introduced by SMEs for research and development according to the actual situation of SMEs. It can help small and medium-sized enterprises to implement technology research and development more actively, which is conducive to improving the backwardness of technology in China's small and medium-sized enterprises. China's current population is large, many rural laborers are not getting the application they deserve, and a large amount of human resources are wasted in the countryside. Therefore, the relevant departments of the Chinese government can also encourage small and medium-sized enterprises to seek human resources from the countryside through the implementation of low tax rates. The wasted human resources are fully invested in production. SMEs should also reduce the tax burden on taxpayers who do not meet the tax burden and reduce the tax burden of taxpayers, so that taxpayers can invest more funds into production operations and achieve enterprise development.

As the first choice for professional financing, financial institutions have been favored by many small and medium-sized enterprises in China. However, financial institutions are extremely picky about SMEs, and the review is very strict. Therefore, ordinary SMEs want to apply for financial loans, which is very difficult. The financing of SMEs in China also has relevant tax incentives, that is, the cost of financing enterprises to financial institutions can be deducted, and the cost of financing to non-financial institutions is higher than that of similar loans of financial institutions during the same period [6]. Under the influence of this fiscal and taxation policy, China's SMEs want to minimize the tax burden, then they can only choose to lend to financial institutions. Therefore, this has aggravated the difficulties of SMEs in China. Therefore, the relevant government departments of our country should improve the current financial tax-related policies, and strive to find a tax policy that can satisfy financial institutions and enable SMEs to successfully finance. On the one hand, our government can subsidize banks, on the one hand, to limit the requirements of loan standards, that is, to allow financial institutions to reduce financial standards, and to provide financial subsidies to financial institutions, which will help achieve harmony between financial institutions and SMEs. It will help to further enhance the strength of SMEs and promote the overall development of enterprises.

When formulating fiscal and taxation policies for small and medium-sized enterprises, we should first clarify the target orientation of the policy, so as to strengthen the pertinence of fiscal and taxation policies. At present, China's fiscal and taxation policies to promote the development of small and medium-sized enterprises should be based on the background of supply-side reform, positioning policy objectives to improve the market competition environment of small and medium-sized enterprises and optimize the organizational structure of small and medium-sized enterprises on the basis of following the market economy. At the time of policy formulation, through appropriate policy support and guidance, SMEs will be provided with a suitable market competition environment to improve the competitiveness of SMEs. At the same time, we must also

pay attention to the dynamic adjustment of policies. The development of SMEs needs different policies to guide at different times. Therefore, the target of fiscal and taxation policies must be adjusted according to the economic situation, but there must be long-term plans when formulating or canceling policies. It is planned to implement, so that the fiscal and taxation policies of small and medium-sized enterprises can be sustained for a long time [7]. At the same time, local governments should immediately formulate specific support policies in line with local SMEs according to the laws and policies promulgated by the state and the characteristics of local enterprises, so as to ensure that SMEs can enjoy more preferential policies and various support policies.

In order to promote the development of SMEs and the progress of society, China should vigorously support the development of high-tech and technology-based SMEs. In the current tax incentives for high-tech and high-tech SMEs in China, most of them are post-event policies, that is, SMEs can only make preferential tax on actual income after completing innovation. Such tax incentives are not conducive to SMEs. Therefore, in order to promote the innovation of SMEs, we should improve the current preferential tax policies, encourage them to help them develop in the long run, and only achieve the goal of promoting social and economic development. For example, for the existing VAT policy, although many tax incentives have been formulated, it is necessary to further reduce the tax rate and reduce the taxation level [8]. In the future tax reform, measures can be taken to reduce the tax rate from three to two, so as to further reduce the overall tax burden of SMEs, and at the same time help improve the tax collection and taxation costs. At the same time, while reducing the overall value-added tax burden, the high-tech and technology-based SMEs can further expand the scope of tax rebates, thereby reducing the financing costs of such enterprises, and thus enhancing the competitiveness of enterprises.

5. Conclusion

In order to promote the all-round development of SMEs in China, the relevant government departments should give high priority to SMEs, and improve the unreasonable places in the current fiscal and taxation policies, and try to optimize the impact of fiscal and taxation policies. In this process, the existing fiscal and taxation policies that promote the development of small and medium-sized enterprises should be innovated so that fiscal and taxation policies can truly support small and medium-sized enterprises, thereby promoting the healthy development of small and medium-sized enterprises and further promoting the steady growth of the national economy.

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