

# Research on Tax Management to Promote the Development of Small and Medium Enterprises

Pengfei Wang, Zhiqin Yu, Shiyi Deng, and Xijie Peng

Chengxian College, Southeast University, Nanjing, Jiangsu

**Keyword:** Small and micro enterprise; tax reduction; simple administration; substantive convenience

**Abstract:** The inclusive tax cuts of enterprises have been implemented in various cities. In order to explore whether the state's preferential policies for SMEs can bring substantial convenience to SMEs, this paper selects T City for research and analyzes the policy effect. It mainly explores the substantive impact of the simple tax reduction on small and micro enterprises from both policy and tax rates, and provides guidance for the implementation of the department's policies.

## 1. Introduction

As an important tool for the government's macroeconomic regulation and control, taxation is inextricably linked with enterprises, interdependent and mutually influential. The main impact is that small and micro enterprises need to give tax incentives to help them tide over the difficulties due to practical problems such as insufficient funds. On the other hand, due to the profitability of small and micro enterprises, local governments will also receive corresponding Taxation to solve local employment problems. However, as far as the current tax burden is concerned, there are many problems. First, as regards the collection and management, since the electronic tax collection in China has been widely developed in recent years, there are still some companies that evade tax evasion. In terms of tax burden, the famous economy The Laffer curve proposed by the scientist Laffer mainly studies the relationship between the government's tax revenue and the tax rate, that is, the tax rate is below a certain limit, and raising the tax rate can increase the government's tax revenue; if it is exceeded, the increase will lead to a decrease in tax revenue. Because raising the tax rate affects economic growth and reduces the tax base, on the other hand, excessive taxation may cause companies to evade taxes. The discussion in this paper attempts to use the tax effect analysis and tax reduction theory in modern tax theory to try to follow up with specific enterprises for empirical analysis.

## 2. Problem analysis

First of all, this article will specifically analyze the state's typical tax reduction support policy for small and medium-sized enterprises since 2017, and understand the country's policy orientation by collating specific policies. At the same time, through the network anonymous questionnaire survey, 50 business owners will be investigated about the latest tax policy of the country, aiming to verify the implementation of taxation in T-city of Jiangsu Province. Next, the group collected four different types of SME tax returns, conducted detailed data analysis, and quantified the practical convenience provided by the new tax administration to SMEs.

## 3. The definition of small and micro enterprises and the study of tax theory

### 3.1. Definition of small and micro enterprises in China

In China, there are two definitions of SMEs. One is small and small enterprises, including small enterprises, micro enterprises and individual industrial and commercial households. The second is a small-scale and low-profit enterprise. This concept is derived from the implementation regulations of the Enterprise Income Tax Law. It refers to enterprises engaged in non-restricted and prohibited

industries in the country and meets the following conditions: (1) The annual taxable income of industrial enterprises does not exceed 300,000 yuan. No more than 100 people, the total assets shall not exceed 30 million yuan; (2) The annual taxable income of other enterprises shall not exceed 300,000 yuan, the number of employees shall not exceed 80, and the total assets shall not exceed 10 million yuan.

On June 30, 2017, the National Economic Industry Classification (GB/T 4754-2017) was officially promulgated. On August 29, the National Bureau of Statistics issued the “Notice on Implementing the National Standards for the Classification of New National Economic Industries” (Guo Tong Zi [2017] No. 142), which stipulates the unified use of new classifications from the 2017 annual statistical report and the 2018 periodic statistical report. standard. To this end, the National Bureau of Statistics revised the “Statistical Methods for the Division of Large, Medium, Small and Micro Enterprises” issued in 2011.

### **3.2. VAT**

Offer target: VAT small-scale taxpayers

Preferential content: Small-scale taxpayers are subject to VAT taxable sales. If the monthly sales amount does not exceed 10w and exceeds 10w but the sales amount of the sales real estate that occurred during the current period is less than 100,000 yuan, the VAT will be exempted.

The preferential new deal in the value-added tax is mainly reflected in two aspects. First, the scope of application of small-scale taxpayers of value-added tax has been expanded. At the same time, interest income from small-scale loans issued by small and micro enterprises and individual industrial and commercial households is exempt from tax; secondly, the monthly sales threshold for small-scale taxpayers is raised. From 30,000 to 100,000. These positives have stimulated the vitality of the market, and at the same time further support the development of small and micro enterprises and enhance their sense of acquisition.

### **3.3. Corporate income tax**

Offer target: small and small profit enterprises (can be enjoyed by audit collection or approval)

Offer content: two main aspects - plus strength and two expansion, quarterly advance payment

Increase the strength: Introduce the excess progressive calculation method, and reduce the tax burden. Subsection of corporate income tax

### **3.4. Relaxing small and small enterprise standards**

(1) The annual taxable income shall be increased from the original not more than 1 million yuan to not more than 3 million yuan;

(2) The number of employees will be raised to no more than 300, from no more than 100 employees in the original industrial enterprises to no more than 80 in other enterprises.

The total amount of assets will be raised to no more than 50 million yuan. The original industrial enterprises will not exceed 30 million yuan, and other enterprises will not exceed 10 million yuan.

The adjusted small-scale enterprises will cover more than 95% of taxpayers, 98% of which are private enterprises.

Relaxed the scope of investment preferential policies for start-up technology-based enterprises

Start-up technology-based enterprise conditions

(1) “The number of employees does not exceed 200” is adjusted to “the number of employees does not exceed 300”

(2) “Total assets and annual sales income are not more than 30 million yuan” and adjusted to “the total assets and annual sales income are not more than 50 million yuan”.

The expansion of these scopes further encourages VCs to invest in small and micro enterprises.

### **3.5. Quarterly advance payment**

In terms of paying corporate income tax, small-scale and low-profit corporate income tax is uniformly paid on a quarterly basis.

When the enterprise income tax is paid in advance, the total assets, the number of employees and

the annual taxable income of small and small-profit enterprises shall be judged temporarily according to the current year's report at the end of the current period.

How do companies that are prepaid corporate income tax on a monthly basis adjust to quarterly payments? The tax authorities also made timely answers: According to the relevant provisions of the Implementation Regulations of the Enterprise Income Tax Law, corporate income tax is paid in advance in each month or quarter, and is specifically approved by the tax authorities. When the taxpayer declares in April, July and October, it meets the conditions of small and meager profit enterprises, and the system will prompt the pre-levy. After the end of the reporting period, the competent tax authority will screen the taxpayers who need to adjust the tax payment period according to the application status, and contact the taxpayer to handle the adjustment; the taxpayer may also contact the competent tax authority for adjustment. After the end of the year, in principle, within the period of expansion of preferential policies for small and small-profit enterprises, the tax payment period will not be adjusted.

What are the benefits of reducing the prepaid tax burden of small and micro enterprises? The prepaid tax directly occupies the current cash flow of small and micro enterprises. In the context of financing difficulties, this will directly burden the operation of small and micro enterprises. In order to solve this problem, the New Deal was adjusted to directly determine whether it is a small-scale and low-profit enterprise according to the total assets, the number of employees and the amount of taxable income at the end of the current year. First, it avoids the situation that the current year and the previous year's business situation have undergone major changes, resulting in the enjoyment of preferential treatment but not enjoying it. Second, it truly reflects the changes in the company's operating conditions this year and the tax benefits that are actually enjoyed, reducing the tax rebates (increased cost of capital) and tax reimbursement brought about by the settlement of corporate income tax, and enhancing the enjoyment of small and micro enterprises. The certainty and convenience of the offer reduces the capital occupation. The third is to reduce the workload of corporate financial personnel, save time costs, and reduce tax compliance costs.

### **3.6. Six tax plus two**

In terms of other taxes, the inclusive tax breaks and new policies have also increased preferential taxes and fees. The specific regulations are as follows:

Offer target: VAT small-scale taxpayers

Offer content:

1) For VAT small-scale taxpayers, resource tax, urban maintenance and construction tax, property tax, urban land use tax, stamp duty, cultivated land occupation tax and education surcharge, and local education surcharge shall be reduced according to 50% of the tax amount.

2) VAT small-scale taxpayers have enjoyed the resource tax, urban maintenance and construction tax, real estate tax, urban land use tax, stamp duty, farmland occupation tax, education surcharge, and other preferential policies attached to local education. A prescribed preferential policy.

To sum up, China's new round of inclusive small and micro enterprises tax reduction and taxation covers multiple taxes in the tax system, reflecting inclusiveness. Such large-scale tax reduction and exemption can enhance the economic development stamina, is a major measure to reduce the burden on enterprises and stimulate market vitality. It is an important reform to improve the tax system and optimize the income distribution pattern. It is a major choice for macroeconomic policies to support stable growth and ensure employment structure.

## **4. Evaluation of the effect of tax policies for small and micro enterprises**

Industry background analysis

### **4.1. Textile industry**

China is the world's largest textile producing, consuming and exporting country. It is a large and stable pillar industry sector in the contemporary Chinese national economy. The textile industry

involves not only the production and processing of garments and fabrics, but also the acquisition of cotton for agricultural products and the final export. The industrial chain is long. The state has implemented a series of tax policies to encourage and support the development of the textile industry.

Textile companies can enjoy more tax incentives, some of which are for raw material agricultural products, some are inclusive benefits for small and micro enterprises, some are regional preferential, and a small number are targeted at specific practitioners. In general, there are many tax incentives for textile companies, and the following table will be briefly summarized.

#### 1) Tax incentives for textile industry in special regions

The tax incentives for the textile industry are mainly concentrated in the Xinjiang Uygur Autonomous Region. Xinjiang is China's most important cotton production base. In 2018, Xinjiang's cotton output reached 5.11 million tons, accounting for 83.8% of the country.

The autonomous regional government has introduced a number of policy measures to support cotton production and textile and garment processing and production, including: (1) setting up special funds for the development of textile and garment industry; (2) implementing special tax incentives; and (3) implementing low-price preferential policies; Implementing the textile and clothing freight subsidy policy; (5) implementing the Xinjiang cotton subsidy policy; (6) implementing the enterprise employee training subsidy policy; (7) implementing the corporate social security subsidy policy. Among them, the Notice of the People's Government of Xinjiang Uygur Autonomous Region on Accelerating the Relevant Fiscal and Tax Policies for the Development of Textile Industry in the Autonomous Region (Xin Zheng Fa [2010] No. 99), and Printing and Distributing the Measures for the Implementation of the Relevant Fiscal and Tax Policies for the Development of the Textile Industry in the Autonomous Region (New Finance Law) Taxes [2011] No. 7) and other local documents have detailed provisions on local tax incentives.

#### 2) Industry interpretation

At present, the problem of excessive cost in the textile industry is still outstanding, which includes both production costs and tax costs.

The high cost of domestic electricity in production costs is an important reason. In the case of equipment automation, digitalization, and intelligent water upgrading, and the use of electricity to replace labor, the problem of high electricity prices is more prominent. In this regard, the industry has continuously called on the government to continue to reform the energy system and mechanism, break the monopoly system of the energy industry system, promote the market-oriented reform of the energy industry, establish a mechanism for the formation of the energy price market, and play a decisive role in the allocation of resources in the market, and gradually reduce the energy costs of enterprises. In particular, it promotes direct reduction of electricity prices for enterprises and eases cost pressures.

In terms of taxation costs, although there are many tax incentives, there are not many that can really be enjoyed. For example, the goal of the preferential tax reduction policy is small and micro enterprises, which are already not available to enterprises of a certain scale. Although the preferential policies in Xinjiang are strong, large enterprises are still concentrated in the southeast coastal areas, and there are not many export trade enterprises. In addition, the "Environmental Protection Tax Law" was officially implemented, and the market rules of "protection of pollution reduction and emission reduction and excessive discharge of pollutants" were established. The environmental protection tax has little impact on the textile industry, especially printing and dyeing, with huge use of water and electricity. The corresponding environmental protection tax has also increased the industry tax burden.

Under this circumstance, the industry has continuously called on the government to continue to promote the reform of the tax system. First, we will further promote the reform of China's taxation system, use the "subtraction" of government revenue, the "addition" of corporate benefits, and the "multiplication" of market vitality. Secondly, we will promote the reform of the tax system structure and the optimization of tax rates, and gradually reduce the VAT rate of various types of real economy dominated by manufacturing industries, and further alleviate the pressure on

corporate taxation. Finally, the introduction of more tax incentives, the implementation of accurate tax reduction measures, moderate expansion of tax incentives coverage, the adoption of differentiated taxation measures for the textile industry with strong contribution to employment, increase the tax reduction for small and medium-sized enterprises, and pay close attention to policies Implement, let the policy be implemented, and let the enterprise enjoy the benefits.

#### **4.2. Decorating company**

##### 1) background:

The construction decoration industry is smaller than the civil engineering and real estate industries.

The decoration industry lacks high-tech content, does not require large-scale investment and large-scale equipment, and the entry threshold is relatively low.

The decorative engineering has a short production cycle, simple production factors, and fewer management personnel.

Most of the services provided by the building and decoration industry are labor services, so human capital accounts for a large share of total capital, which is different from the total capital of fixed assets such as manufacturing and machinery. This capital structure has a crucial impact on the tax burden of the company.

Summary: The construction and decoration industry has fewer mechanical equipment, materials and labor services than other construction industries such as civil engineering. The part of the enterprise that cannot obtain input tax invoices is mainly sporadic materials, sporadic labor and indirect costs and measures.

##### 2) Architectural decoration problem

The first is the issue of repeated taxation. Duplicate taxation refers to the imposition of multiple taxes or multiple taxes on the same tax object. As far as the construction industry is concerned, it refers to the fact that when the business tax is levied, it cannot be deducted from the purchase of goods or services in the previous link, and the taxation of this part of the inputs is repeated in different links.

The second is the issue of tax collection and management. The construction industry levies business tax to bring a series of problems to China's tax collection management: 1. Artificially interrupt the VAT deduction chain; 2. Lead to the unclear division of the national taxation tax collection and management authority; 3 Invoice management of the material procurement link forms a loophole for tax collection and management.

#### **References**

- [1] Discussion on Tax Law Issues to Promote the Development of Small and Medium Enterprises [J]. Sun Yuan. Modern Marketing (late issue). 2016(06).
- [2] Analysis and Optimization of SMEs' Tax Preferential Policies [J]. Yan Huihui. Western Finance and Accounting. 2016(01).
- [3] Taxation policies for foreign developed countries to promote the development of small and medium-sized enterprises [J]. Hu Shaoyu. Economic Research Reference. 2015 (71).