

Study on the Realization Path of the Incentive Effect of Tax Preferences on Small and Micro Enterprises in the Post-Epidemic Era-Taking Anhui Province as an Example

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Abstract

Small and microenterprises are the mainstay of employment in China and one of the bases for society to foster innovation. After the outbreak of the new crown epidemic, the survival and development of most of China's small and micro-enterprises are in trouble, for this reason, the state has introduced a series of tax incentives to promote the development of small and micro-enterprises. The paper starts from the incentive effect of tax preferential policies on small and micro enterprises in Anhui Province, combines the basic theories, and researches the realization path of the incentive effect of tax preferences on small and micro enterprises in the post epidemic era. On this basis, it adjusts and optimizes the structure and way of the realization path to reduce the burden of small and micro enterprises and promote their development.

Keywords

Tax Incentives, Small and Microenterprise, Incentive Effect.

1. Introduction

1.1. Significance of the study

Theoretical significance: By exploring the correlation between tax preferential policies and the development of micro and small enterprises, on the basis of comprehensively sorting out its impact on micro and small enterprises, and guided by the relevant theories, China's tax preferential policies for the implementation of micro and small enterprises at the current stage of the evaluation and determination, and give full play to the role of tax preferential policies to promote the development of micro and small enterprises.

Relevance: Tax incentives have reduced the tax burden of micro and small enterprises, lowered production costs, increased the profit effect, and generally improved the level of corporate profitability. China's current active implementation of tax incentives and exemptions can prompt small and micro enterprises to create more jobs, enhance the number of employed people, and drive the labor market to prosper. Tax incentives can guide small and micro enterprises to improve their internal management mode, reduce capital investment in small and micro enterprises, promote social consumption, and provide sufficient power for economic growth. Adjust and optimize the realization path of the incentive effect of tax preferential policies on MSMEs to better promote the survival and development of MSMEs.

1.2. Status of research

In recent years, the government and society have paid great attention to the healthy growth of small and micro enterprises, and have also enacted a series of supportive policies to assist the development of small and micro enterprises. Among the series of supportive policies, tax incentives have a stronger effect on MSMEs.

Tax incentives can improve the economic efficiency of micro and small enterprises, motivate the expansion of micro and small enterprises, and promote the prosperity of the labor market

and local economic development. Therefore, according to the implementation of the current tax preferential policies, China should establish and improve the system of tax preferential policies for small and micro enterprises, improve the continuity and stability of tax preferential policies, give full play to the incentive effect of tax preferential policies on small and micro enterprises, and provide sufficient support for China's macroeconomic growth.

1.3. Content of the study

1.3.1. Analysis of preferential tax policies for promoting the development of small and micro enterprises in Anhui Province.

Based on the preliminary survey and literature analysis, we start from the status quo of micro and small enterprises in the post-epidemic era and the tax incentives to promote the development of micro and small enterprises. On the basis of literature research, combining the new public management theory, tax reduction theory and the "Laffer curve", we analyze the growth of the number and size of micro and small enterprises, employment and management in Anhui Province to understand the status quo of micro and small enterprises in the post-epidemic era, and we analyze the value-added tax policies, income tax policies and other tax policies and tax collection and management policies to understand the tax preferential policies to promote the development of micro and small enterprises. Through the analysis of value-added tax policy, income tax policy and other tax policies to promote the development of small and microenterprises, as well as tax collection and management policies to understand the preferential tax policies for the development of small and microenterprises. Finally, it summarizes the practice of preferential tax policies for the development of small and micro enterprises in Anhui Province, problems and reasons.

1.3.2. Research on domestic and foreign tax incentives to promote the development of micro and small enterprises.

It is intended to introduce the experiences of some developed countries or regions in reducing the tax burden, improving tax policies, enriching the means of tax incentives, simplifying tax payment, and guiding enterprises to actively build accounts and establish accounts through tax support, and to study and summarize the experiences in order to promote the development of small and micro-enterprises in Anhui Province.

1.3.3. Study on proposals for improving tax incentives to stimulate the development of micro and small enterprises in the post epidemic era.

Based on the statistical results of the questionnaire, we analyze the problems and reasons for the implementation of preferential tax policies for small and micro-enterprises in Anhui Province, and plan to put forward countermeasures and suggestions for realizing the incentive effect of preferential tax policies on small and micro-enterprises in terms of the policy formulation mechanism, the implementation system, the supervisory system, and the application of information technology by comparing with domestic and foreign advanced experiences.

2. Conceptual theories related to tax incentives for small and microenterprises

2.1. Micro and small enterprises

In 2011, China issued regulations on small and medium-sized enterprise (SME) classification standards, which define SMEs to a certain extent, but due to the gap with international standards, there is a lack of a clear basis for definition among different industries, and the definition of standards varies among different tax types. Small-scale taxpayers should be defined when annual sales do not exceed 5 million yuan. Analyzed from the perspective of

income tax, small-scale taxpayers, on the other hand, are enterprises with annual taxable income not exceeding 3 million yuan, total assets not exceeding 50 million yuan, and the number of employees not exceeding 300 people. It can be divided according to the enterprise classification standard, the division of income tax preferential enjoyment subject, and the division of VAT preferential small-scale taxpayers, and it is difficult to judge whether the taxpayer is in line with the tax preferences.

2.2. Tax incentives

The development of small and microenterprises can increase social jobs and is also the cradle for cultivating outstanding entrepreneurs, and our country encourages the development of small and microenterprises, which is of great significance in promoting economic development. Tax incentives are tax exemption policies formulated to encourage enterprise development, balance the distribution of social products, facilitate enterprise capital planning and promote enterprise development. Tax incentives can expand enterprise profit space, reduce costs and expenses, avoid tax risks, optimize the tax system, reduce the cost of tax burden on small and micro enterprises, and promote the harmonious development of society. Tax incentives for micro and small enterprises can be flexibly adjusted according to the actual development of micro and small enterprises and the operating law of market development to further improve the tax incentives and promote the sustainable development of micro and small enterprises. The current tax incentives due to the lack of implementation standards to the lack of tax normative documents, the lack of legal authority, resulting in tax incentives in the specific implementation process, the implementation of the policy is not effective. With regard to the preferential tax policies for small and micro enterprises, the scope of the policies should not be blindly relaxed or the tax incentives should be increased, and the actual development of small and micro enterprises should be combined with the development of the corresponding institutional system to promote the systematic and comprehensive tax policies.

2.3. Policy implementation

Micro and small enterprises in the tax incentives should be strengthened to confirm the legal level, expand the scope of publicity for micro and small enterprises, improve the importance of micro and small enterprises to the tax policy, to encourage the innovative development of micro and small enterprises, and moderate policy concessions can stimulate the innovative development of micro and small enterprises. There are big differences in the economic development of China's north and south, central and western regions, according to the characteristics of regional development, combined with the actual development of small and microenterprises, to formulate a perfect tax incentives program, focusing on guidance for the specific tax business, to ensure that the relevant business processing in line with the requirements of the tax policy, to promote the implementation of the effect of the tax incentives for small and micro-enterprises, and to help small and micro-enterprises tax incentives to achieve the effect of the implementation of tax incentives.

3. Tax incentives for small and micro enterprises in China

3.1. VAT Benefits

From the Announcement of the State Administration of Taxation on Matters Concerning VAT Exemption and Other Collection Management Matters for Small-Scale Taxpayers (Announcement No. 6 of the State Administration of Taxation of the People's Republic of China 2022), it can be seen that from April 1, 2022 to December 31, 2022, VAT exemption shall be granted to small-sized taxpayers (small and micro-enterprises with monthly sales less than or equal to 150,000 yuan, and quarterly sales less than or equal to 450,000 yuan) in respect of the taxable sales revenues for the issuance of VAT ordinary invoice to which the 3% tax rate is

applicable, and the suspension of the prepaid VAT for those pre-paid VAT items to which the 3% prepaid VAT rate is applicable.

3.2. Enterprise Income Tax Benefits

From SAT Announcement No. 5 of 2022, it can be seen that from January 1, 2022 to December 31, 2024, for small and micro-profit enterprises (enterprises engaged in industries that are not restricted or prohibited by the state and meet the conditions that the annual taxable income does not exceed 3 million yuan, the number of employees does not exceed 300, and the total amount of assets does not exceed 50 million yuan), the taxable income is more than 1 million yuan but not exceeding 3 million yuan, shall be reduced by 25% of the taxable income and pay enterprise income tax at a rate of 20% (effective tax burden of 5%). Meanwhile, according to the Announcement on Policies Concerning Pre-tax Deduction of Income Tax for Equipment and Appliances of Micro, Small and Medium-sized Enterprises (Announcement of the Ministry of Finance and the State Administration of Taxation No. 12 of 2022), eligible micro, small and medium-sized enterprises shall voluntarily choose to deduct the newly purchased equipment and appliances with a unit value of more than 5 million yuan in accordance with a certain percentage of the unit value before the enterprise income tax.

3.3. "Two Taxes and Six Fees" Benefits

According to the Announcement on Further Implementation of the "Six Taxes and Two Fees" Reduction and Exemption Policies for Small and Micro Enterprises (Announcement No. 10 of the Ministry of Finance and the State Administration of Taxation of 2022), from January 1, 2022 to December 31, 2024, small and micro-profit enterprises will be given reductions of resource tax, urban maintenance and construction tax, urban land use tax, property tax, stamp duty (excluding securities transaction stamp duty), cultivated land occupation tax, education surcharge and local education surcharge, and other tax exemptions within the range of 50 percent. Land Use Tax, Property Tax, Stamp Duty (excluding Stamp Duty on Securities Transactions), Cultivated Land Occupation Tax, Education Fee Surcharge and Local Education Surcharge.

In addition, China has also given indirect tax incentives to small and micro enterprises in terms of financing and deferred payment of taxes and fees. For example, the guarantee fee income from financing guarantees provided by small and micro enterprises and the re-guarantee fee income from re-guarantees are exempted from value-added tax (Announcement of the Ministry of Finance and the State Administration of Taxation No. 22 of 2020), and small and micro enterprises in the manufacturing industry defer payment of part of their taxes and fees for the first and second quarters of 2022 for six months (Announcement of the State Administration of Taxation and the Ministry of Finance No. 2 of 2022).

4. Analysis of the incentive effect of tax incentives on MSMEs

4.1. Increased profit effect

Reducing the tax burden of micro and small enterprises, reducing production costs, and increasing the profit effect is the most intuitive impact effect of tax incentives on micro and small enterprises [2]. Taxation is an important part of the cost of goods sold by micro and small enterprises, the cost of labor, the government through the reduction of tax collection can directly affect the cost of production of micro and small enterprises, the price of goods, the overall profit of the enterprise caused by the indirect impact. As a turnover tax and income tax-based country, China's turnover tax covers consumption, wholesale, sales, production of a number of links, through the value-added tax, sales tax reduction and exemption concessions for small and micro enterprises, can reduce the cost of enterprise labor, goods in the whole life cycle management, to facilitate the sale of small and micro enterprises at low prices to occupy

market share, or the original price of the sale of the overall increase in overall profitability, and overall enhancement of the level of corporate profitability.

4.2. Promotion of labor market prosperity effects

Known for their small scale and large number, most of the small and micro enterprises are labor-intensive, absorbing a wide range of employment and employing a large number of people, and playing an important role in promoting the prosperity of the labor market. China's current active implementation of tax incentives and exemptions can prompt small and microenterprises to create more jobs, enhance the number of employed people, and drive the prosperity of the labor market. As shown in the statistics, in the spring of 2022, the recruitment scale of professional and technical jobs (including engineering technology and digital technology) in micro and small enterprises with a size of 500 to 999 people in the field of high-end manufacturing industry had the fastest year-on-year growth rate of 121%, and micro and small enterprises with a size of less than 500 people created 60% of the PhD jobs, and the healthy development of micro and small enterprises has become increasingly important for employment absorption. The importance of the healthy development of small and micro enterprises for employment absorption is becoming more and more obvious.

4.3. Stimulating the growth effect of MSMEs

With the support of tax incentives such as corporate income tax concessions and corporate VAT exemptions, the tax burden on MSMEs decreases, profit retention increases, more reinvested cash flows are generated, and the supply of products and services increases, providing the basis for increased efficiency in total social output, which in turn promotes social capital growth and a better economic market. At the same time, because MSME growth is crude, once the government reduces VAT or other taxes on MSMEs, the capital growth rate will continue to increase, bringing the economy into a more optimal development situation and incentivizing the growth of MSMEs.

4.4. Contributing to local economic growth

Micro and small enterprises are the main force of the local market, and their contribution to the western economy cannot be ignored. Tax incentives can guide micro and small enterprises to improve their internal management mode, reduce their capital investment, promote social consumption, and provide sufficient power for economic growth. At the same time, tax incentives such as corporate income tax exemption and value-added tax (VAT) exemption can provide sufficient capital for enterprises to innovate on their own, and stimulate the long-term growth of the local economy. From the data released on the website of the Beijing Municipal Government, it can be seen that with the support of tax incentives, in the first half of 2022, the city's SMEs and micro-enterprises above designated size realized a business income of 3,490.82 billion yuan, and a total profit of 163.77 billion yuan, of which the small and micro-enterprises realized a business income of 892.93 billion yuan and 276.57 billion yuan, respectively. It shows that the business income of small and micro enterprises occupies a larger proportion in the local business income, and the implementation of tax incentives can promote the increase of business income of small and micro enterprises, and indirectly boost the growth of the local economy.

5. Problems in the implementation of tax incentives for small and microenterprises

5.1. Low social awareness of policy implementation

As an important participant in the implementation of tax incentives, taxpayers have a low level of awareness of the policy and do not have a thorough and in-depth understanding of the policy,

which affects the effectiveness of the implementation of the tax incentives. Some micro and small enterprises meet the conditions for enjoying tax incentives, but their understanding of the tax incentives is not deep enough, making it difficult to grasp whether they meet the conditions for declaring tax incentives and the specific amount of tax incentives. Tax incentives as a preferential policy for small and microenterprises, but due to the preferential target for the interpretation of the policy is not deep enough to understand, making it difficult to implement the preferential nature, difficult to benefit all small and microenterprises. Therefore, it should improve the tax awareness of micro and small enterprises, improve the understanding of tax policy and interpretation of planning ability.

5.2. Small margin of appreciation for policy implementation

Tax incentives for small and microenterprises have increased year by year, but there is still the problem of the overall scale of the incentives being relatively small. The indirect forms of tax preferences for small and micro enterprises involve less content, which affects the extensive utilization of the forms of tax preferences, and also restricts the large-scale implementation of tax preferences, weakening the effect of tax preferences on small and micro enterprises. There are restrictions on the scope of application of tax preferential policies in the process of implementation, and there are restrictions on the conditions attached to the declaration of small and micro enterprises, which makes the implementation of tax preferential policies limited in scope. In addition, in the process of enterprises declaring tax rebates, tax reductions in the process of cumbersome procedures, the variety of tax types, the complexity of the declaration process, the low range of preferential treatment makes a portion of the staff shortage of small and microenterprises give up to enjoy the tax concessions.

5.3. Ineffective policy implementation

The efficiency of policy implementation has a key impact on its realization. Longer waiting time increases the labor cost of MSMEs in the process of filing tax returns and reductions to enjoy tax benefits. Micro and small enterprises mainly use the tax collection and management system and the Electronic Taxation Bureau for their tax payment business. The poor operation of the system and the instability of the network affect the tax declaration of enterprises. In addition, the system cannot be dynamically adjusted in a timely manner following the update of policies, and enterprises cannot get the data in time after filing. The instability and lack of timeliness of the online filing system, and the increased time costs for small and micro enterprises due to the congestion in the queues at the offline tax halls also make it difficult to implement tax incentives.

6. Problems in the implementation of tax incentives for small and microenterprises

6.1. Low social awareness of policy implementation

China's system of tax incentives for small and microenterprises is not perfect, and there are still shortcomings. First, the form of the policy is relatively single. The tax policy is less favorable, the relevant tax preferential policies are not comprehensive, at the same time, the main form is to reduce the tax rate and tax exemption, which reflects the tax preferential way is more single. Secondly, the coverage is small, mostly limited to corporate income tax, while other taxes are involved in less, but the income tax law is to meet the conditions of tax exemptions and reductions of small and micro enterprises in accordance with a certain percentage of tax, and because the taxable income is lower than the preferential policies to meet the conditions of fewer enterprises, can not take into account the differences between industries, and can not play the expected try effect. Second, the policy lacks wholeness and comprehensiveness. Tax incentives for small and microenterprises are mostly applied to the economic development at that time, but little coverage of future economic development trends. As for the

comprehensiveness, the preferential policies are usually isolated from other public policies and not integrated with other laws. Most importantly, China's tax-related laws are mostly embodied in the level of tax regulations, lack of in-depth knowledge of them, and fail to make relevant requirements from the legal level, which leads to frequent policy changes and more arbitrary. Third, limited government support. Preferential policies to benefit small and micro-enterprises there are still gaps, for the value-added tax, based on whether small-scale taxpayers or general taxpayers to determine are enjoying tax incentives, if the enterprise can not obtain input invoices, will lead to high costs of enterprise tax law.

6.2. Inadequate implementation of tax authorities

The internal management system of tax authorities has a great impact on the quality of tax policy implementation. However, there are certain problems in the executive departments of our tax authorities, which bring obstacles to the process of tax policy implementation for small and micro enterprises. Firstly, the organization of the executive department is not reasonable. At present, the tax administration department has not been specially set up for small and micro enterprises. At the same time, the complicated and lengthy procedures related to the management of bills and certificates require the cooperation of several departments and agencies, which is a great test of their coordination. Second, the monitoring and evaluation system is not perfect. The tax authorities are negligent in monitoring the monitoring mechanism and cannot track and evaluate the performance management of the results in a timely manner, which makes it difficult to find the shortcomings in the results and is not conducive to the formation of a good monitoring mechanism and experience in the implementation of tax policies. Thirdly, the level of competence of implementation personnel is not in place. China's lack of tax professionals, recruited executives with poor comprehensive ability, only mastered to the skin knowledge. They are not good at flexibility and will only work in a step-by-step manner, lacking attention to the latest policies, which is not conducive to the adjustment of related work.

6.3. Lack of tax compliance capacity of MSME taxpayers

Some of the taxpayers of micro and small enterprises have a low level of literacy, and have problems understanding and poor grasp of politics and the law. In addition, due to capital and other reasons, they may lack talents in financial accounting or high-level professional and technical consultants. In addition, there is some lack of defense of their own interests, once the policies that are supposed to benefit them are not enjoyed, they do not know how to use legal weapons to defend their own rights and interests, and their ability to comply is lacking. To address these problems, policy channels can be optimized to make the information in the process of policy implementation open and transparent.

7. Suggestions for optimizing the implementation of tax incentives for small and microenterprises

7.1. Strengthening the implementation capacity of the tax administration

First, the staff structure of grass-roots tax departments should be optimized. The number of young and middle-aged cadres in important positions of policy implementation in grass-roots tax departments is insufficient, and the number of soon-to-be-retired persons accounts for a relatively large proportion of the total, so the irrational age structure of the personnel will greatly affect the efficiency of policy implementation. Therefore, it is necessary to strengthen the staffing of basic positions, especially the staffing of young and middle-aged cadres, and encourage more young and middle-aged cadres to get training in grass-roots positions, so as to better guarantee the implementation effect of tax incentives. Secondly, it is necessary to improve the professional quality of personnel and cultivate tax professionals. On the one hand,

it is necessary to increase the training of tax personnel, for the faster updating of the preferential tax policies for small and micro enterprises, combined with the systematic training of accounting knowledge, to help the tax cadres to constantly update their knowledge reserves, and to expand the professional qualities required for their positions. On the other hand, it is necessary to cultivate the sense of service, responsibility and commitment of the tax cadres in practice, and forge the sense of mission, commitment and urgency of the tax personnel to serve the small and micro enterprises and the overall economic development.

7.2. Enhancing the tax-related skills of micro and small business taxpayers

The tax department should provide corresponding services for micro and small enterprises and help them to provide relevant information consultation and business guidance. Micro and small enterprises should improve the management's awareness of tax planning, improve the business quality of financial personnel, standardize the tax management mechanism and strengthen departmental information communication, pay attention to the corresponding policy changes in a timely manner, and promote the effective implementation of tax incentives.

7.3. Creating a favorable environment for implementation

First, it is necessary to improve the supporting system of financing assistance for small and micro enterprises, help small and micro enterprises solve financing problems by establishing a perfect tax credit rating sharing data system and building a multi-level credit guarantee system, gather the advantages of all parties, attract more credit resources to help small and micro enterprises, inject operating funds into small and micro enterprises, alleviate the pressure of capital turnover, and create a favorable environment. Second, we should deepen the application of big data and build a comprehensive supply chain service platform. In the context of today's times, many enterprises are faced with supply and marketing mismatches, product backlogs and many other problems. For the tax department, it is crucial to utilize the existing technology to help enterprises open up the supply chain, help suppliers accurately locate effective purchasers, smooth the purchase and sale channels, and help enterprises solve the supply and demand problems.

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