

Analysis of the Impact of New Tax Policy on Small and Low-Profit Enterprises

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Abstract: In today's society, small-scale profit-making companies have become the main way for people to obtain employment. As the core force, they have promoted the progress and development of our society. In order to expand the development scale of small and micro enterprises and improve the employment rate, the state has issued many tax relief policies and preferential strategies. These tax reform policies will play an important role in small and micro enterprises. This article will further explore the impact of tax reform policy on small and micro enterprises.

1. Introduction

Small low-profit enterprises are the main force of social development, the main channel of employment and the important source of entrepreneurship in our country. Therefore, China has introduced many tax concessions and relief policies to increase the development momentum of small and low-profit enterprises and expand employment opportunities. Since 2018, executive meetings of the State Council have repeatedly deployed tax cuts for small and micro enterprises. According to statistics, from January to November 2018, tax incentives to support the development of small and micro enterprises totaled 184 billion yuan. Premier Li Keqiang decided to launch another batch of inclusive tax reduction measures for small and micro enterprises at the executive meeting of the State Council on January 9, 2019. The implementation period is tentatively set at three years. With the new policy introduced this time, 17.98 million enterprises, accounting for more than 95% of the total number of tax paying enterprises in the country, will benefit from the reduction of corporate income tax for small and micro enterprises alone. 98% of them are private enterprises, which is expected to reduce the burden on small and micro enterprises by about 200 billion yuan each year.

For small and micro enterprises, people generally believe that the anti-risk level is too poor and the scale is too small. In fact, there are many problems in the domestic market. For example, labor costs are high, financing is difficult, raw material prices fluctuate greatly, and market demand cannot be met. Faced with the current situation in the domestic market, small and micro companies use 20% bank loans to create DDP with 50% tax benefits and employment rates as high as 80% and 60%. Therefore, small and micro companies can effectively promote social progress and national economic progress, promote economic and social development, employment rate and economic growth, maintain social stability, and enable industrial structure to be innovated and upgraded. However, at this stage, small and micro companies are in a dilemma due to the transformation of the domestic economy and the gradual decline of the global economy. Government departments should give full play to their macro-control functions in case of market failure, so as to promote economic development. Faced with the difficult situation of small and micro companies at this stage, the government must give full play to its own functions. In order to fully assist small and micro-sized companies, domestic government departments have actively implemented programs to promote their progress. For example, stamp duty on loan contracts signed by small and micro companies and financial organizations and pre-tax deduction of reserve fund tax on loan losses of small and medium-sized companies from financial institutions are exempted.

2. Preferential Tax Policies for Small and Medium-Sized Micro-Enterprises in Enterprise Income Tax

2.1 Preferential Tax Policies Directly Enjoyed by Small and Micro Enterprises

The “Enterprise Income Tax Law of the People's Republic of China” issued by the financial department of our country mentions that 20% of the corporate income tax of eligible small and micro companies can be exempted. In line with industries that are not strictly prohibited and restricted by the state, industrial companies have less than 100 employees, a total capital of less than 30 million yuan, and a total annual tax of less than 300,000 yuan. Compared with other companies, companies with less than 80 employees, less than 10 million yuan of capital and less than 300,000 yuan of annual total tax payment are eligible small and micro companies.

With the permission of the State Council, from January 2012 to December 2015, if the remaining profit of an enterprise after tax payment is less than 60,000, the tax payable shall be reduced by 50% to the income amount, and the tax rate shall be included at 20%.

Compared with the previous tax policy, the new tax policy has expanded the preferential scope of the tax policy for small enterprises, which is reflected in the tax base and time. Under the regulations of 2011, small businesses have enjoyed preferential policies for up to four years. At first, the income tax payment was less than 10% of the 30,000 reduction, and the small enterprises that increased to 60,000 also had the same treatment.

2.2 The Policy Effect of Preferential Tax Policies for Small and Medium-Sized Micro-Enterprises in Enterprise Income Tax

In the enterprise income tax, small and micro enterprises can enjoy the policy as long as they meet the conditions of tax relief. It has a very intuitive tax preference, compared with large and medium-sized enterprises, the enterprise income tax rate has been reduced. This tax relief method is applicable to all small and micro enterprises, and the same relief rate can better reflect its fairness. It is beneficial for small and micro enterprises to accumulate profits, relieve capital pressure, and promote enterprises to innovate technology and expand scale.

If there is no subsidy for loss, the tax amount paid under high profit will also increase. On the contrary, the tax amount payable by small and micro enterprises will double and reduce. Its tax relief is also significant. Assume that the annual taxable income of an enterprise is 3 million, which was not within the scope of small and low profit enterprises before, and the enterprise income tax of 750 thousand should be paid at the legal tax rate of 25%. According to the newly issued preferential policies, if the number of employees and total assets meet the conditions, they only need to pay the enterprise income tax of 250,000 yuan, that is, $100 \times 25\% \times 20\% + 200 \times 50\% \times 20\% = 250,000$ yuan.

3. Preferential Tax Policy Exempted from Vat for Small and Micro Enterprises

3.1 Specific Tax Preferential Policies for Temporary Exemption of Vat for Small and Micro Enterprises

This preferential policy is a special policy for small and micro enterprises. According to the decision of the executive meeting of the State Council, the financial funds should be activated by adjusting the expenditure structure, so as to ease the contradiction between the revenue and expenditure. VAT small-scale taxpayers shall respectively account for the sales of goods or processing, repair and replacement services, sales of services and intangible assets. The monthly sales of value-added tax small-scale taxpayers selling goods or processing, repair and replacement services shall not exceed 30,000 yuan (90,000 yuan per quarter), and the monthly sales of sales services and intangible assets shall not exceed 30,000 yuan (90,000 yuan per quarter). From January 1, 2018 to December 31, 2020, small and micro enterprises can enjoy the preferential policies of temporary exemption of value-added tax. For example, enterprise A is a small-scale taxpayer, and the following businesses occurred in the third quarter of 2018: transfer of self built real estate

income of 150000 yuan, sales of a batch of goods income of 80000 yuan (including the tax authority issued a special VAT invoice of 30000 yuan), construction services income of 60000 yuan, rental income of 15000 yuan. The above businesses are accounted for separately, and the income obtained is the price excluding tax. According to the policy, if the quarterly sales volume of goods and services sold by enterprise a does not exceed 90000 yuan, and the quarterly sales volume of sales services and intangible assets does not exceed 90000 yuan, they can enjoy the preferential policy of temporary exemption of value-added tax for small and micro enterprises.

3.2 The Effect of Preferential Tax Policy Exempted from Vat for Small and Micro Enterprises

(1) Lighten tax burden and stimulate enterprise vitality

In order to further reduce the tax burden on small and micro enterprises, the monthly tax declaration will be increased from 30,000 yuan to 100,000 yuan. The amount of tax declared on a quarterly basis increased from 90,000 yuan to 300,000 yuan. At the same time, the standard for small and low-profit enterprises has been greatly relaxed. The total assets of the company are below 50 million yuan, which meets the requirements for small and low-profit enterprises. The income tax can be levied by half. At the same time, the enterprise income tax is levied at a reduced rate of 20%, and the actual income tax rate of the enterprise is 10%. Some local taxes and related surcharges paid by small-scale VAT taxpayers, such as resource tax, urban maintenance and construction tax, real estate tax, urban land use tax, stamp tax and cultivated land occupation tax, education surcharges and local education surcharges, are allowed to be reduced within 50% by all localities. Take the urban land use tax as an example: for underground construction sites built separately within the scope of the urban land use tax, the urban land use tax is temporarily levied at 50% of the tax payable. If provinces (autonomous regions and municipalities) further reduce the urban land use tax by 50%, the maximum reduction can reach 75%. For example, the tax paid by enterprises last year was about 350,000 yuan. With this year's tax reduction and fee reduction policy, about 210,000 yuan can be saved, easing the financial pressure on enterprises and enabling small and micro enterprises to have more funds to invest in research and development to achieve faster and better development.

(2) Stabilize employment and encourage entrepreneurship

When estimating the employment situation, the employment value of the domestic manufacturing industry is often used. After exploring the employment value, we know that the labor force value of small and medium-sized companies has shown a downward trend in recent months.

Tax exemption strategies promulgated by government departments can promote the development of small and micro companies, increase self-confidence for the development of small and micro companies, promote the employment rate of the masses and reduce the unemployment rate. However, the tax reduction strategy can only make up for the decline in turnover due to the economic downturn in a short period of time and cannot effectively promote the development of the company.

In addition, two kinds of turnover tax exemption for small and micro companies can promote the public's entrepreneurship rate. The main tax type in China is turnover tax, which causes small and micro companies to pay a large amount of tax. At the same time, the turnover tax levied by the state is mainly based on operating income or sales income. This shows that no matter the company is in a state of loss or profit, it needs to pay this tax. Therefore, under the background of this tax system, reducing corporate tax will increase people's entrepreneurship rate.

4. The Influence of New Tax Policy on Tax Planning of Small and Micro Enterprises

The tax strategy of "replacing business tax with value-added tax" is a new tax strategy officially implemented in China since 2011. Through this new tax strategy, the previous business tax has been formally revised to value-added tax. Reducing the defects of repeated tax collection, promoting the rapid development of the company and optimizing the domestic tax system are the main objectives of revising the tax strategy. The following aspects are the main contents of the new tax strategy affecting the development of small and micro companies:

4.1 Impact on Tax Payment Methods and Contents

From the perspective of accounting, business tax mainly refers to paying tax according to the proportion of total business volume, and the formula is $\text{turnover} \times \text{tax rate} = \text{business tax}$. Small scale taxpayers and regular taxpayers are the main parts of VAT. Among them, the method of accounting for small-scale taxpayers is relatively simple, mainly $\text{sales volume} \times \text{collection rate} = \text{value-added tax}$. Regular tax payers usually use regular tax law when paying taxes. Compared with other methods, regular tax law is more scientific and reasonable, which is often used by the company. The accounting formula is $\text{long-term output tax} - \text{current input tax} = \text{value-added tax}$. At the same time, the new tax strategy leads to changes in the past tax payment time, withholding obligation, location and other aspects.

4.2 Impact on Tax Burden of Enterprises

Reducing the tax burden, effectively improving the company's revenue space and promoting the company's development are the main objectives of the country's new tax strategy. Therefore, we should continue to optimize the tax system. Due to the differences in the characteristics of different industries in China, the implementation of new tax policies in China has changed the tax burden of companies. Although most industries have achieved remarkable benefits through the innovation of tax policies, they have achieved the purpose of tax reduction. For example, the telecommunications industry, transportation industry, service industry and so on, but there are a few companies that lead to their own tax burden increased. Therefore, the relevant domestic institutions must always maintain clear thinking, and when there are still obvious deficiencies in the process of implementing the new tax strategy, use the innovative tax strategy to achieve the purpose of tax reduction, so as to promote the rapid development of the company.

On the surface, tax relief strategy is a scientific and reasonable tax preferential strategy for the company. In a fundamental sense, tax relief means that government departments transfer the taxes that taxpayers have to pay to taxpayers, that is, government investment companies. Tax relief can use the advantages of asset circulation to maintain economic growth. Therefore, judging from the investment effect of expenditure tax, tax relief can promote economic growth and make China's market economy gain remarkable progress.

From a microscopic point of view, the company's investment cost has decreased, the investment benefit rate has been improved, the development of the industry has been promoted, a new industrial development situation has been formed, and the company's investment decision has been influenced. All these are concrete manifestations of the relationship between economy and tax incentives.

5. Tax Planning Strategies for Small and Micro Enterprises

5.1 Standardizing Accounting Behavior and Improving Personnel's Comprehensive Quality

Although financial workers have professional financial knowledge, they cannot complete tax planning perfectly. Financial workers must have sufficient experience in handling tax to complete tax planning. Therefore, small and micro companies should pay attention to the overall quality of their own financial workers, and use practical and accurate tax planning to realize the legitimate tax reduction activities of the company. Financial workers cannot effectively determine the direction of tax planning, which will bring irreparable economic losses to the company. At the same time, the precondition for small and micro companies to realize tax planning is to plan accounting, follow accounting principles, standardize accounting methods, significantly strengthen the internal aspects of management and control companies, and effectively improve the tax planning level of small and micro companies. So as to ensure the effective implementation of tax planning for small and micro companies, improve the financial management efficiency of the company, and reduce the costs and expenses spent by the company.

5.2 The State and Enterprises Promulgate Relevant Policies

Reducing the tax burden, effectively improving the company's revenue space and promoting the coChina's government departments, through the use of tax incentives to promote the development of small profit companies, to support the industrial production of most companies. After exploring the tax relief strategy, investors can invest less capital to obtain greater benefits. After exploring the tax relief strategy, the staff implementing the strategy can guide taxpayers to pay taxes effectively and enjoy preferential treatment, thus promoting the good development of domestic companies.

According to China's basic national conditions at this stage, the principle of social fairness is effectively promoted through the tax relief strategy, which is reflected in the following two points: first, the value-added tax on daily necessities can be reduced and the tax on luxury goods can be increased, thus effectively relieving the pressure on the middle and lower income classes. Secondly, we will vigorously support the development of the cause of providing for the aged. Retirees' wages are exempt from tax, and if they go out to work part-time, personal income tax will be exempted for the labor income earned by the elderly over 60 years old. If the income is too low, 60,000 yuan can be deducted within one year to pay taxes, thus scientifically and reasonably increasing subsidies for the elderly. At the same time, the use of tax relief strategy can stimulate the positive work nature of nursing workers, thus reducing the expenditure of government departments on old-age care.

6. Conclusion

To sum up, with the continuous development of our economy, small and micro enterprises have become an important part of our economy. Under the new tax policy, how to effectively implement tax planning for small and micro enterprises is a difficult problem faced by small and micro enterprises in China. Only when small and micro enterprises understand the tax policy under the new policy can they formulate their own tax planning plan. In addition, we should also strengthen the comprehensive ability of enterprise financial personnel, adopt reasonable and legal accounting methods to reduce the tax burden cost of small and micro enterprises, and further promote the rapid development of small and micro enterprises in our country.

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