

Dilemma and Way of Tax Reduction for Small and Micro Enterprises

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Abstract: Small and micro enterprises take a vital role of national economic and social progress, and their development is crucial to stabilizing the macroeconomic market, promoting China's economic activity, promoting China's high-quality development and ensuring employment. In view of the implementation effect of tax reduction policies for small and micro enterprises in Value-Added tax and enterprise income tax, the research shows that : (1) There are various ways of tax incentives for small and micro enterprises, and special industries can comprehensively consider the business scale, profit level and other factors to check and collect; (2) The tax burden of small and micro enterprises is basically reasonable, but there is a large room for tax reduction; (2) The preferential intensity of turnover tax is small, which restricts the transformation of China's tax system from indirect tax to direct tax. From the perspective of maximizing the degree of burden reduction, the results of hierarchy analysis show that the tax rate weight of tangible chattel leasing and financial insurance service is the highest. In the future, tax reform should be deepened in the direction of precise corporate bailout, optimization of tax structure and improvement of service efficiency.

1. Introduction

It is self-evident that small and micro enterprises play an important role in private economy and even national economic development. In order to reduce taxes and fees for small and micro enterprises, the central government has formulated relevant preferential tax policies, but there is no consensus in academic circles on the implementation effect of tax incentives and whether they are of great help to enterprises in reducing their burden. Some scholars have confirmed the positive effect of tax reduction policy, which effectively reduces the tax burden of enterprises. For example, Zhang Huanping (2017) ^[1] explained the positive effect of tax policy on tax reduction and fee reduction. Gu Dainan et al. (2019) ^[2] believe that small and micro enterprises enjoy the tax incentives they should enjoy. Based on in-depth analysis and comprehensive evaluation, some scholars believe that there are still many problems in the current tax reduction and preferential policies, which are far from achieving the desired effect and need to be further improved (Yan Ting, Chang Yanqiu, 2016^[3]; Miao Hui-xing, 2016^[4]; Jiang Yanan, 2017^[5]). For example, Zhang Chen et al. (2019) ^[6] questioned the efficiency of the tax department from the perspective of policy implementation. The national questionnaire survey conducted by Zhu Wuxiang et al. (2022) ^[7] shows that there is a big gap between the actual effect of tax and fee reduction policies and the expectation of small and micro enterprises.

At present, China is facing profound economic and social transformation. The reform of tax system structure from indirect tax to direct tax is of great significance for opening up the potential space of double cycle, optimizing the industrial chain of enterprises and improving the total factor productivity of society. Scholars such as Xiao Lei and Wang Yaping (2021) ^[8] believe that VAT rate reform is an important direction in the future.

First, the substantial effect of preferential tax policies on reducing the tax burden of small and micro enterprises is not clear. Secondly, from the perspective of VAT tax preference, there are very

few literatures on promoting the transformation of tax structure mainly based on direct tax. Therefore, this paper use two small micro enterprises as an example for tax reduction research, then analytic hierarchy process (AHP) affecting the VAT tax rate is analyzed, the part is proposed that government should consider the VAT tangible personal property leasing and financial insurance service tax rate adjustment policy suggestions.

Finally, from the perspective of enterprise, tax system and service efficiency, some suggestions on tax reduction are put forward. The contribution of this paper lies in: taking two examples of tax reduction for small and micro enterprises to explore the actual implementation effect of tax reduction and fee reduction policies; from the perspective of VAT tax preference, this paper studies the tax system transformation based on direct tax. Finally, targeted countermeasures and suggestions for tax reduction are put forward.

2. Case Study

A Real Estate Land Asset Appraisal Co., LTD. was established in June 2005 and belongs to the modern service industry. Unified social credit code 91530800775509XXXX, registered capital of 1 million YUAN, business scope: all kinds of asset project evaluation. Grade II qualification.

B Decoration Engineering Co., Ltd. was established in April 2015 and belongs to the construction industry. The registered capital is 10 million RMB, and the unified social credit code is 91530800329134XXXX. Business scope includes: architectural decoration engineering, building materials wholesale and retail.

Table 1 Case Profile.

					(Yuan)		
A Real Estate Land Asset Appraisal Co., LTD					B Decoration Engineering Co., Ltd.		
Year	2017	2018	2019	2020	2018	2019	2020
Total profit	1267383.15	1054543.64	1500595.92	-10126003.7	-7759294.28	-1459355.41	-907354.01
Operation revenue	5807863.17	5754746.77	6301850.31	1088000.01	362666.66	362666.67	362666.68
Operating costs	2603700.38	3098958.57	285960.1	6204766.51	2917722.13	1822022.08	1465022.3

Source: corporate financial statements, tax reports

2.1 Corporate Income Tax

The real estate evaluation company belongs to a special industry, B decoration engineering company is in line with the conditions of simple tax payment of small-scale taxpayers, enjoy preferential policies of small-scale taxpayers.

A: Real estate evaluation enterprise (Special Industry)

From 2017 to 2020, with the increase of sales, the corresponding human cost of the enterprise also increased. Due to the heavy cost burden, the growth rate of small and micro enterprises was slow. Therefore, tax reduction policy plays a limited role in helping, there is a large space to be reduced.

B: Decoration Engineering Company (Simple Tax Payment) :

Effective tax rate calculated B decoration engineering company, it is concluded that: (1) the enterprise in 2018-2020 actual rates were 25%, 5%, 5%, reasonable tax burden level, enterprise can normal, but the space is still large tax cuts to further improve, can increase the intensity of incentives, lower taxes and reduce tax base, give more room for enterprise development and progress. (2) At the same time, enterprises reported that there was a funding gap in 2018, because the operating cost is too high. It is suggested that the state introduce more measures to support the development of small and micro enterprises while reducing taxes, effectively reduce the operating cost of enterprises, optimize the operating environment of enterprises, and truly reduce the burden of enterprises.

2.2 Added-Value Tax

A: Real Estate Appraisal Company (Special Industry)

Table 2 Analysis of VAT Tax Burden

Year	2017	2018	2019	2020
Tax burden ratio	5.79%	5.71%	5.84%	5.93%

From the perspective of tax revenue burden, the tax burden of A real estate appraisal company has no significant change and is relatively stable, indicating that the tax burden level is basically reasonable. However, under the condition of 5% burden, small and micro enterprises have less available funds and cannot attract high-quality talents to conduct large-scale financing.

B: Decoration Engineering Company (Simple Tax payment)

B Decoration Engineering Company is in the early stage of growth. According to the operation conditions of small and micro enterprises, it does not need to pay VALUE-ADDED tax. Therefore, the tax reduction policy supports the development of B Decoration Engineering Company to a certain extent.

2.3 Dilemma Analysis

Combining the two major taxes, we have the following conclusions:

There are various ways of tax incentives for small and micro enterprises;

For special industries, tax and fee reduction policies can comprehensively consider various factors of enterprises, such as business scale, profit level, etc., to avoid the negative impact of "one-size-fits-all" division of small and micro enterprises.

The tax burden of small and micro enterprises is basically reasonable, but there is a large room for tax reduction;

From the tax burden rate and effective tax rate of enterprises, the tax burden level of small and micro enterprises in China is basically reasonable. However, from the feedback of enterprises, enterprises are faced with high costs and financing difficulties, and there is still a long way to go to cut taxes and fees.

The preferential intensity of turnover tax is small.

In terms of tax payment structure, small and micro enterprises are still dominated by indirect taxes such as VALUE-ADDED tax, indicating that (1) compared with Value-Added tax, the proportion of enterprise income tax is lower, and the tax burden structure is still dominated by Value-Added tax; (2) Even though the government has introduced a number of VAT tax incentives, most of them are targeted at "high, sophisticated and sophisticated" technology industries, and other small and micro enterprises have less opportunities to reduce or exempt them. Therefore, the government should increase the preferential power of turnover tax, which will help our country to gradually transform from indirect tax to direct tax.

2.4 Analysis on the Influencing Factors of Value-Added Tax and the Direction of Tax Reduction Policy Reform

From the perspective of economic and social transformation, tax incentives for small and micro enterprises are mainly to reduce the tax base or tax rate of enterprises through various policies, which will help China to gradually transform from indirect tax to direct tax. In order to reduce the burden on enterprises, which aspect of tax rate has the greatest impact? In what direction are reforms needed? Is it to adjust the tax rate of goods processing, repair and replacement services, the tax rate of tangible movable property leasing, or the tax rate of financial and insurance services? There is a time difference between the adjustment of policies and the appearance of practical effects, and there are advantages and disadvantages of the implementation of which aspects of the adjustment, and the points of secondary emphasis. This part uses the analytic hierarchy process to analyze each factor, in order to provide direction for tax reduction and fee reduction, as well as for the implementation of the modernizing reform of tax system based on direct tax.

After AHP method, we combine the weight of each indicator

Table 3 Consistency Test(1)

Criterion layer element	Weight
Taxable scope	0.4623
17% tax rate	0.2049
6% tax rate	0.1884
3% tax rate	0.1444

The combination consistency ratio $CR=0.06<1$, consistent with the consistency test.

Result:

Table 4 Consistency Test(2)

Tax cuts direction	weight
Adjust the tax rate on the lease of tangible chattel	0.5578
Adjust financial insurance service tax rate	0.2608
Adjust tax rates for goods processing, repair and replacement services	0.1814

Using scientific methods to evaluate the three tax rates is of great significance to improve the policy of tax reduction and burden reduction, and to better assist the modernization of tax system. According to the above analysis, the weight of adjusting tangible chattel leasing tax rate is the highest (0.55), the weight of adjusting financial insurance service tax rate is 0.26, and the weight of adjusting goods processing, repair and replacement service tax rate is the lowest (0.18). Therefore, the government's tax reduction policies to support small and micro enterprises, especially the tax reduction policies, can give priority to adjusting the tax rates of tangible chattel leasing and financial insurance services, so as to adapt to the development status and business structure of small and micro enterprises, so as to reduce tax and burden more targeted.

3. Conclusion

According to the development requirements of enterprises and characteristics of different industries to formulate a reasonable tax rate, according to the situation of different reforms. Including the determination of tax scope, tax rate, discount proportion. For example, for service-oriented enterprises, we can appropriately increase the deduction tax rate of labor service expenses, so that enterprises can increase their disposable funds to introduce talents, expand investment, and promote consumption at the same time.

Due to the opaque public information, immature development and low reputation of small and micro enterprises, it is difficult for small and micro enterprises to obtain loans and financing. Tax authorities perfecting the taxation credit system, take the initiative to strengthen the linkage of the bank and tax information, in the aspect of corporate tax information docking with the Banks and other financial institutions to establish data, make a micro enterprise with good tax records can preferential access to loans, helps small micro enterprise loan desire quickly, small micro enterprise credit assets, help small micro enterprise development.

We will strengthen supervision over small and micro businesses, and use the "Internet plus Tax" to improve information sharing to avoid tax evasion. Conduct regular work surveys in tax departments at the grass-roots level, and get feedback on policy implementation from small and micro enterprises. Internal tax law enforcement departments, regulations, supervision, supervision and internal audit departments should give full play to their supervision functions, standardize the law enforcement procedures and service consciousness of law enforcement departments in strict accordance with the requirements, and avoid the situation of not daring to supervise and unwilling to supervise.

In the revenue department, financial department website, WeChat public number, TV media to strengthen all kinds of preferential tax, tax eligible propaganda, for small micro enterprises with the latest training tax cut policy, strengthen its ability to tax planning, can let the small micro enterprise instant access to the latest tax information, timely adjust management strategy, strengthen the small micro enterprise competitiveness, Improve tax satisfaction of small and micro enterprises.

The Tax bureau can set up a special service hotline for small and micro enterprises, regularly ask key enterprises for their opinions on tax reduction, and smooth the channels of communication with small and micro enterprises. Collecting the opinions of small and micro enterprises on tax issues through field research, interviews and other forms, strengthening the wide discussion and

participation of small and micro enterprises, is conducive to improving the tax system, and is also conducive to supervising the effectiveness of the government's tax reduction policies.

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