

# The Impact of New Combined Tax and Fee Support Policies on the Development of Small and Micro Enterprises based on the Background of COVID-19 Epidemic

Yue Sun<sup>1,\*</sup>, Anqi Huang<sup>1</sup>, Wenjing Zhou<sup>1</sup>, Zejiang Zhou<sup>2</sup>

<sup>1</sup>School of Finance and Public Management, Anhui University of Finance and Economics, Bengbu, China

<sup>2</sup>School of Economics, Anhui University of Finance and Economics, Bengbu, China

\*1817177277@qq.com

## Abstract

In the context of the epidemic, the economy of many industries in China has been severely affected, especially for small and micro enterprises. Due to insufficient funding, market demand, and management models, small and micro enterprises are facing survival difficulties. Small and micro enterprises play an indispensable role in ensuring employment, promoting development, and stabilizing the economy in China. Therefore, the country has introduced a series of combined tax and fee support policies to assist the development of small and micro enterprises, reducing their burden and alleviating difficulties. The article takes Bengbu City as an example to analyze policy dividends, policy precision, and policy guidance, studying the effectiveness of this policy in assisting small and micro enterprises in the context of the epidemic, and proposing reasonable suggestions for the subsequent development of small and micro enterprises, in order to help them achieve high-quality economic development.

## Keywords

Reducing Taxes and Fees; Combined; Tax Support; Small and Micro Enterprises.

## 1. Introduction

Since the 13th Five Year Plan, China has adopted a series of active fiscal policies, with increasing efforts to reduce taxes and fees, and expanding the scope of policy implementation. In the context of the epidemic, China's economic situation continues to be sluggish, and many enterprises are facing the risk of bankruptcy, among which small and micro enterprises are the ones that have suffered the most. For the purpose of ensuring the healthy development of market entities, Premier Li Keqiang pointed out in the Report on the Work of the Government in 2022 that the implementation of new combined tax support policies should be comprehensively deployed. The new combined tax and fee support policy covers multiple industries and corporate tax incentives. The article mainly explores some preferential policies for small and micro enterprises in the policy. Specifically, it includes policies such as exemption from value-added tax for small-scale taxpayers, reduction and exemption of "six taxes and two fees" for small and micro enterprises, and reduction and exemption of corporate income tax for small and micro profit enterprises.

The release and implementation of policies play a crucial role in assisting the development of small and micro enterprises. Therefore, this article reviews the benefits obtained by small and micro enterprises during the implementation of this policy, analyzes the characteristics of the new combined tax and fee support policy and its impact on the economic development of small

and micro enterprises in Bengbu City, and proposes suggestions for small and micro enterprises to use this policy reasonably to achieve high-quality economic development.

## 2. Literature Review

Small and micro enterprises have always played an immeasurable role in the lifeline of China's economy, playing an important role in increasing economic vitality, solving contemporary employment problems, meeting residents' consumption needs, and enhancing national strength. In the years from the outbreak of the COVID-19 at the end of 2019 to the continuous spread of the epidemic, the economic development of small and micro enterprises has encountered great obstacles. In order to stimulate market vitality and development momentum to a greater extent, help market players, especially small and micro enterprises that are large in number and difficult to survive in this context, it is of far-reaching significance to learn, implement and apply the policy of fee and tax reduction. In recent years, many scholars have generally believed that the implementation of tax and fee reduction policies has achieved significant results and has a positive incentive and assistance effect on the economic development of small and micro enterprises, mainly focusing on the following aspects:

Firstly, the policy of reducing taxes and fees has reduced the burden on small and micro enterprises while increasing worker compensation. Since 2013, governments at all levels have continuously implemented a series of inclusive tax reduction policies for small and micro enterprises. In 2022, the new combined tax and fee support policy will focus on small and micro enterprises. The implementation of this policy will further reduce the economic burden on small and micro enterprises and alleviate their financial pressure. Zhang Yueyou et al. (2022) found that the reduction of actual tax rates has saved costs for enterprises, and has a significant promoting effect on the improvement of enterprise income, investment, labor productivity, and unit labor wages. Finally, they summarized that the cost reduction policy has promoted the reduction of costs, increase in operating income, increase in investment scale, increase in employment, and increase in labor remuneration for small and micro enterprises in the manufacturing and service industries.

Secondly, tax and fee reduction policies can enhance the R&D and innovation capabilities of small and micro enterprises. Innovation capability is the core of a country's competitiveness and the primary driving force for development. Therefore, the innovation capability of small and micro enterprises is a key force in their ability to stand firm in the market. The continuous optimization of the R&D expense deduction policy in the tax reduction and fee reduction policy can effectively stimulate the innovation ability of small and micro enterprises by continuously increasing the deduction ratio. Bian Yixin (2022) believes that China's tax reduction and preferential policies provide more development opportunities for small and micro enterprises, vigorously supporting them in researching innovative technology patents and developing high-tech, enabling them to allocate funds more effectively, promote their own industrial optimization and upgrading, and effectively promote the healthy and high-quality development of small and micro enterprises.

Thirdly, tax and fee reduction policies can enhance the sense of gain for small and micro enterprises. The "sense of gain" is a hot topic of scholars' research. Xu Nan et al. (2022) found through in-depth analysis of interview materials that the policy level is the most important factor affecting the sense of gain of enterprises in tax reduction and fee reduction, and the policy strength at the policy level is the most important factor affecting the sense of gain in tax reduction and fee reduction [3]. To study and analyze the sense of gain of small and micro enterprises under tax and fee reduction policies, Feng Qian et al. (2021) designed a "tax and fee reduction survey questionnaire" based on the perspective of sense of gain. After conducting a survey and analysis of the sense of gain of small and micro enterprises in Xi'an in the past three

years of tax and fee reduction policies, they concluded that the overall level of enterprise sense of gain is high, indicating that the tax and fee reduction policy can effectively improve the sense of gain of enterprises, and the overall policy effect is good [4].

In summary, the tax and fee reduction policy has a significant assisting effect in reducing the burden on small and micro enterprises, increasing labor remuneration, enhancing their R&D and innovation capabilities, and enhancing their sense of gain. Tax reduction and fee reduction have been ongoing for many years, and Vice Minister of Finance Xu Hongcai's keyword for the characteristics of tax reduction and fee reduction in 2022 is "greater combination of tax reduction and fee reduction", with a greater emphasis on accuracy. So in this context, the characteristics of the new combined tax and fee support policy and its assistance to the economic development of small and micro enterprises in Bengbu City, and how small and micro enterprises can effectively use tax and fee support policies to achieve high-quality economic development, are the issues that the article focuses on exploring [5].

### **3. The Characteristics of the Combined Tax and Fee Support Policy and its Assistance to the Economic Development of Small and Micro Enterprises in Bengbu City**

#### **3.1. Policy Dividends Overlay, Empowering High-Quality Development of the Manufacturing Industry**

Manufacturing is the foundation of a country and the lifeline of its economy. The new combined tax and fee support policy provides preferential treatment for small and micro manufacturing enterprises. On the basis of continuing to delay the payment of partial taxes in the fourth quarter of 2021, the payment of partial taxes in the first and second quarters of 2022 will be postponed. After completing tax declarations in accordance with the law, small and micro manufacturing enterprises can delay the payment of all taxes and fees stipulated in this policy for a period of 6 months. In addition, manufacturing and other industry enterprises that meet the conditions can apply to the competent tax authority for a refund of the incremental retained tax amount starting from the tax declaration period in April 2022. Micro enterprises that meet the conditions can also apply to the competent tax authority for a one-time refund of the existing retained tax amount. The implementation of the new combination of policies has achieved good results. According to data released by the State Administration of Taxation, from April to August 2022, manufacturing enterprises enjoyed a cumulative tax refund of 537.7 billion yuan, ranking first in the industry in terms of tax refund scale, playing an important role in promoting the stable operation of the industrial economy. During the same period, the sales revenue of manufacturing enterprises that processed tax retention and refund also increased by 7.5% year-on-year.

After the comprehensive deployment of the new combined tax and fee support policy, the tax department of Bengbu City has actively responded to the policy. In order to enable enterprises to enjoy the policy dividends, a "list based" ledger management has been implemented for tax refund enterprises. Detailed ledgers have been established for six major industries, including small and micro enterprises, manufacturing, and corresponding time nodes, continuously tracking the enjoyment of tax refund policies by enterprises. Through online prompts, offline visits, and other methods, it is ensured that tax refund enterprises are aware of the policies I will apply and enjoy it quickly. According to Ding Zifeng, the legal representative of Anhui Sanlian Wooden Packaging Co., Ltd, Due to the impact of the epidemic and market environment, our manufacturing enterprises are under great pressure. Fortunately, in the past two years, various tax and fee support policies have been continuously introduced, effectively alleviating the financial problems of our enterprises. Our confidence in the development and growth of our enterprises is also increasing This policy has delayed the deferred taxes and fees in the early

stage by another 4 months, easing the company's financial pressure, stabilizing employee emotions, and has a great driving effect on us to continue expanding production scale, increasing research and development investment, and improving product technology content." said Zhang Guole, the legal representative of Huaiyuan Xingyuan Stainless Steel Products Co., Ltd.

### **3.2. Highlight Innovation Orientation and Strengthen the Innovation Momentum of Small and Medium-Sized Enterprises**

Enterprises are the main body of innovation, and innovation is the source of vitality of enterprises. Encouraging and supporting enterprises to expand fixed assets investment, R&D innovation investment and carry out innovation reform will help enterprises play the main role in technological innovation. In the new combined tax and fee support policy, the implementation of the R&D addition and deduction policy for enterprises has been further strengthened, as well as the statement by Li Xuhong, director of the Institute of Financial and Tax Policy and Application at the National Accounting College in Beijing, that "supporting technological innovation and the development of small and medium-sized enterprises remains the main theme of China's tax and fee policies." These all reflect the country's guidance for the development of innovative technology for enterprises. The main characteristics of the policy in this regard are as follows: firstly, for the expenses of high-tech enterprises for purchasing equipment in the fourth quarter of 2022, a one-time full pre tax deduction and 100% additional deduction are allowed for that year, and further support is provided by local and central finance. Secondly, in the fourth quarter of 2022, for industries that currently have a 75% pre tax deduction for research and development expenses, the deduction ratio will be uniformly increased to 100%, and equipment renovation and updating will be encouraged. The third is to allow full pre tax deduction and additional deduction for basic research expenditures such as research institutions funded by enterprises.

After the introduction of relevant policies, the tax system of Bengbu City has reversed the construction period, and every minute is a race to achieve direct and fast policy sharing. It is understood that Anhui Xindong Lianke Microsystem Co., Ltd. invests more than 20% of its sales revenue in technology research and development every year. In the past three years, the company has accumulated 67.38 million yuan of deduction for high-tech enterprise research and development expenses. After the policy was introduced, the company has also enjoyed a tax refund of 922000 yuan. The general manager of the company, Lin Ming, also said, "Our ability to lead the industry in the research and development of MEMS inertial sensors is inseparable from the support of tax incentives such as R&D expenses deduction and value-added tax retention and refund." When discussing the future development of the enterprise, Lin Ming also expressed confidence: "The fall of tax dividends has provided the company with sufficient funds for product research and development. This year, it is expected to further develop high-precision positioning service products." The continuous accumulation of tax dividends further reduces the burden on enterprises and helps them embark on a stable path of innovation.

### **3.3. Precise Policy Focus to Alleviate Financial Pressure on Small and Micro Enterprises**

Against the backdrop of the recurring epidemic in 2022, the new combined tax and fee support policy focuses precisely on small and micro enterprises, prioritizing the arrangement of tax refunds for small and micro enterprises, and expanding the scope of application of the "six taxes and two fees" reduction policy to all small and micro profit enterprises. In terms of value-added tax, small-scale taxpayers are exempt from value-added tax in stages. In terms of corporate income tax, the annual taxable income of small and micro enterprises ranging from 1 million to 3 million yuan will be further reduced by half and subject to corporate income tax. We will focus

on supporting the manufacturing industry and comprehensively address the issue of tax refunds for industries such as manufacturing, scientific research and technical services, and ecological protection. All tax refund funds will be directly directed to enterprises, vigorously improving the value-added tax refund system, and providing cash flow support and promoting consumer investment for enterprises. This will help market entities "transfuse", "activate", and alleviate difficulties.

The tax authorities and the Federation of Industry and Commerce of Bengbu City create a combination of policy "packages" based on the needs of small and micro market entities, jointly organizing and producing multimedia tax promotion products with regional characteristics, easy to operate, and easy to understand. Accurate delivery is achieved through channels such as tax authorities and the Federation of Industry and Commerce's new media platform. The policy of one-time refund of value-added tax retention for small and micro enterprises in 2022 has greatly helped cinemas. The company's financial pressure has been alleviated, and the tax refund funds can be used to pay employee salaries, property fees, and rent, "said Yu Lijun, a corporate finance officer at Bengbu Wanda International Cinema Co., Ltd. Because Wanda Cinema is a small enterprise, it can apply for a full refund of the incremental deduction or a one-time refund of the remaining tax amount. Under the guidance of the tax department, the enterprise has received two tax refunds of 580000 yuan, including Anhui Medea Textile Technology Co., Ltd. in Wuhe County, which also enjoys the dividend of the tax refund policy.

#### **4. Suggestions for Achieving High-Quality Development of Small and Micro Enterprises under the New Combined Tax and Fee Support Policy**

##### **4.1. Enterprises Should have a Comprehensive Understanding of Policies and Increase Their Sense of Policy Dividends**

The new combined tax and fee support policy provides preferential policies for small and micro enterprises in multiple directions and perspectives. The sense of obtaining policy dividends for enterprises does not only depend on the tax function of the tax bureau, but also includes the initiative of the enterprise to understand the policy and interpret its applicability. One is convenience. With the continuous acceleration of the national "smart tax" construction pace, the electronic tax bureau has become the preferred channel for taxpayers to handle tax related and fee related businesses. Its convenience is reflected in: the report filling is simple, and many data do not need to be filled out by oneself, and the system will automatically bring it out; Many preferential policies are enjoyed upon application, without the need for additional submission of materials. If you encounter problems, you can also receive online remote tutoring; Quick completion of business and other aspects. The second is timeliness. The effectiveness and deadline of the new combined tax and fee support policy are not consistent. After the introduction of the preferential policies, the tax department will immediately push the policies and follow up on guidance. By learning the policies, enterprises can enjoy everything and effectively solve the pressure on capital turnover. By understanding and applying the benefits brought by these policies, enterprises can feel that tax policies and convenient tax practices are around them, and the sense of policy dividends is stronger.

##### **4.2. Optimize Internal Tax Planning of Enterprises to Maximize Tax Incentives**

Under various tax and fee support policies, tax departments in various regions continuously implement a series of tax and fee preferential policies for the development of small and micro enterprises. At this time, enterprises should also have a correct understanding of the national policy direction and specific details of tax incentives. Enterprises can hire professional personnel to carry out tax planning based on their own situation, in order to achieve maximum tax incentives. The series of "combination fists" of tax preferential policies not only have a large

scale, multiple preferential methods, but also a wide range of benefits. Fully allowing enterprises to access these benefits is reflected in their own tax planning capabilities.

For example, enterprises can plan from the perspective of the beneficiaries of preferential policies, while small and micro enterprises (including individual businesses), as well as "manufacturing" and "scientific research and technology service" industries, can enjoy the 2022 value-added tax final deduction and refund policy. Therefore, the types of enterprises can be closer to these aspects. Starting from the policy of reducing corporate income tax, enterprises can choose appropriate revenue recognition methods and time based on their past sales situation, so as to meet the more favorable standard range of small and micro enterprises and enjoy greater tax reduction benefits. Tax planning can also be carried out from the VAT exemption policy for small-scale taxpayers to maximize tax incentives.

### **4.3. Strengthen the Enterprise's Own Development Momentum and Promote New Driving Forces for Enterprise Development**

From the phased tax reduction policies that support enterprise innovation, it can be seen that the government strongly supports the orientation of enterprise innovation by deducting R&D expenses for technology-based small and medium-sized enterprises. The combination of policy dividends such as tax deferral, large-scale value-added tax retention and refund, and a further halving of income tax for small and micro profit enterprises has given enterprises more resources to invest in the research and development field, forming a lasting driving force for innovative development. In this context, enterprises should develop themselves with greater confidence and confidence, use the dividends brought by preferential policies, make rational use of funds for product research and development, expand fixed assets investment and continue to increase research and development investment; Focusing on casting expertise, continuously improving the technological content of products, striving to gain a foothold in the market, and further advancing on the path of developing high-precision positioning service products; Standing at a new historical starting point, small and micro enterprises should constantly strive to adapt to the trend of economic transformation through innovation. All parties should work hand in hand with small and micro enterprises, anchor established goals, and jointly paint a magnificent picture of high-quality and new driving force development for small and micro enterprises in the new era.

## **Acknowledgments**

This research was funded by 2022 Anhui University of Finance and Economics National College Student Innovation and Entrepreneurship Training Program Project (No.: 202210378281).

## **References**

- [1] Zhang Yueyou, Fang Jin, Chen Feng. Investigation and Study on the Effect of Tax Reduction and Fee Reduction Policies for Small and Micro Enterprises [J]. Economic Research Reference, 2022, (04): 64-77.
- [2] Bian Yixin. Analysis of the Impact of Tax Reduction and Fee Reduction Policies on Small and Micro Enterprises [J]. China Market, 2022, (10): 160-163.
- [3] Xu Nan, Niu Meijia. Research on the Factors and Pathways of the Perception of Tax Reduction and Fee Reduction in Small and Micro Enterprises [J]. Hebei Enterprises, 2022, (10): 5-11.
- [4] Feng Qian, Liu Yiyi, Chen Yan. How does small and micro enterprises feel about the orderly implementation of tax and fee reduction policies -- Investigation and Analysis on the Feeling of Small and Micro Enterprises in Xi'an towards Tax and Fee Reduction Policies [J]. Business Observation, 2021, (26): 62-65.

- [5] Zeng Jinhua. The implementation of the combined tax and fee support policy is effective [N]. Economic Daily, 2022-09-27 (007).