

Analysis on Fiscal Policies to Promote the Development of Small and Micro Enterprises Against the Background of Steady Growth

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ABSTRACT

The 2022 Central Economic Working Conference pointed out that an active fiscal policy is one of the main macro-control tools for building a solid foundation for China's economic recovery, responding to the triple pressures of shrinking demands, supply shocks, and weakening expectations, resolving external environmental instability, and bringing profound impacts to the Chinese economy. The current market environment is complex and ever-changing and meanwhile, the development of small and micro enterprises is in a difficult situation. This paper focuses on discussing the fiscal policies that support the development of small and micro enterprises in the context of stable growth from three aspects, namely, the intensity of financial support for small and micro enterprises, the pertinence and adaptability of policies, as well as the service system of policies.

Keywords: *Small and micro enterprises, Fiscal policies, Optimization measures.*

1. INTRODUCTION

Small and micro enterprises are an important force in the construction of the national economy, which can have a positive impact on improving market activity, increasing social employment rate, and increasing national income. Small and micro enterprises generally have flexible mechanisms, strong market pertinence, and great development potential. However, they have fewer fixed assets, higher cost pressures, and weaker technological capabilities. Therefore, their risk control level is not high and they are in a passive position in market competition. Small and micro enterprises have characteristics of importance and weakness, and require certain support from government departments, especially in the field of fiscal and tax policies.

2. CURRENT FISCAL POLICIES SUPPORTING THE DEVELOPMENT OF SMALL AND MICRO ENTERPRISES

2.1 Tax Reduction and Exemption

Tax reduction and exemption are the main tools in current fiscal policies, which can to some extent improve the profitability of small and micro enterprises, help them increase their investment enthusiasm, and provide driving force for their subsequent development. From the content of the Laffer curve theory, it can be known that when a company's tax revenue exceeds a certain proportional range, it will have an impact on the company's business development, and the enthusiasm of business owners will decrease, ultimately leading to a decline in the overall fiscal revenue of the policy. Small and micro enterprises are an important driving force for the sustainable development of the national economy. Providing them with mobile tax exemptions can not only promote their long-term development and enhance their profitability, but also stimulate the enthusiasm of business owners to continue investing. The tax

reduction and exemption policy is professional and targeted and can provide corresponding policy support based on the industry in which small and micro enterprises operate, such as focusing on the development of small and micro enterprises in high-tech industries, further strengthening their innovation awareness, and providing assistance for optimizing the social industrial structure.

2.2 Fiscal Subsidy and Reward

To promote the sustainable development of a certain field or industry, the government competent department may formulate fiscal subsidy policies or stimulate the enthusiasm of practitioners through fiscal rewards. From an overall perspective, fiscal subsidies and rewards have relatively high conditions for use and can generally be obtained only after obtaining corresponding advantages in the industry. Fiscal subsidies and rewards for small and micro enterprises are usually related to technological research and project innovation, providing support for enhancing the scientific research competitiveness of enterprises and ensuring the improvement of their core competitiveness. Combining institutional guidance with the use of financial subsidies and rewards can maximize the potential of enterprise operations, combining short-term and long-term effects of policies, and jointly promoting the subsequent development of enterprises.

2.3 Fiscal Investment and Financing

Fiscal investment and financing are a new type of fiscal policy tool that supports the development of small and micro enterprises, which can improve the efficiency of fund utilization and increase investment returns while implementing proactive fiscal policies. Fiscal investment and financing are a new type of government investment method that falls between general fiscal investment and general commercial investment. The government enhances the activity of social capital through credit endorsement channels, coordinates idle social funds, enriches financing channels for small and micro enterprises through unified fiscal allocation, and effectively improves the financing environment for small and micro enterprises. Strengthening the effectiveness of fiscal investment and financing can provide guarantees for small and micro enterprises to obtain funds, gradually improve the standardization of the financial market, and prevent financial crises. The governments at all levels in China mainly use government guarantees to

provide a platform for financing for small and micro enterprises; however, this approach can easily lead to high debt risks for the governments themselves, although it can increase government revenue to a certain extent and create a good external environment for the development of small and micro enterprises. For a long time, the admission requirements for fiscal investment and financing have been relatively high, requiring not only application and approval to be completed according to the process, but also long-term dynamic tracking and investigation by government competent departments.

3. THE PROBLEMS OF CURRENT FISCAL POLICIES SUPPORTING THE DEVELOPMENT OF SMALL AND MICRO ENTERPRISES

3.1 The Relatively Small Financial Support for Small and Micro Enterprises

With the continuous development of the national economy, prices of commodities have been rising year by year, and enterprise costs have also increased accordingly. For small and micro enterprises, an increase in operating costs will lead to a decline in profit margins, and some small and micro enterprises are facing operating losses. Often, due to insufficient funds, small and micro enterprises find it difficult to further develop. However, small and micro enterprises have relatively small asset sizes and insufficient risk resistance, so their financing methods are relatively single. When facing a shortage of funds, they generally consider applying to commercial banks for loans. However, commercial banks have more financing review conditions and longer review time, making it difficult for small and micro enterprises to obtain funding replenishment in the expected time. Small and micro enterprises generally face difficulties in financing and government departments need to provide them with more financial support plans from a fiscal budget perspective.

3.2 Lack of Targeted and Universal Tax Policies

The operating costs of small and micro enterprises have been increasing year by year and the tax burden they bear is relatively high. The current tax system in China is mainly based on

turnover tax and supplemented by income tax, which not only makes it difficult to improve the tax burden on small and micro enterprises, but also hinders the enhancement of market activity. The current Tax Law emphasizes that the taxes involved in the operation and development of small and micro enterprises mainly include value-added tax, corporate income tax, stamp duty, and taxes related to land resource utilization. These tax policies usually have timeliness characteristics and their policy trends are vague. At present, some private small and micro enterprises often encounter situations where they are subject to double taxation, for example, individual industrial and commercial households are usually not only responsible for personal income tax, but also for corporate income tax, resulting in high cost expenditures for small and micro enterprises, and the improvement of the national tax system is also affected. In addition, the tax authorities also impose administrative and other fees on small and micro enterprises, which further increases their tax burden. These unreasonable tax policies hinder the survival and development of small and micro enterprises.

3.3 No Government Guarantee Mechanism for Small and Micro Enterprises

The policy environment in which small and micro enterprises operate in the long-term development is relatively poor, and some regions have low attention to tax relief for small and micro enterprises, or although they have introduced tax incentives for enterprises, they are less directly involved in small and micro enterprises. China's tax policies are not perfect enough, and small and micro enterprises, especially private small and micro enterprises, have not received the same policy treatment as large and medium-sized enterprises, and they also enjoy less government protection. This means that governments at all levels need to attach importance to the long-term development of small and micro enterprises, provide sound government guarantee mechanisms for enterprises, ensure that small and micro enterprises can receive fair policy treatment, and improve their market competitiveness, seeking development on the basis of fair competition.

4. POLICY RECOMMENDATIONS FOR FISCAL SUPPORT FOR THE DEVELOPMENT OF SMALL AND MICRO ENTERPRISES

4.1 Improving Fiscal Support Policies and Measures

4.1.1 Increasing Fiscal Subsidies and Establishing Development Reserves

In order to purify the external environment of small and micro enterprises and reduce their cost pressure, government departments can provide certain fiscal subsidies to small and micro enterprises in combination with the needs of local industrial structure optimization. These subsidies can cover employment, technology research and development, and trade and export fields, so that small and micro enterprises can gradually overcome the impact of funding shortages. For a long time, it has been difficult for small and micro enterprises to maintain good financing cooperation with commercial banks. Government departments can introduce special reserves for small and micro enterprises to provide support for their financing applications, encourage commercial banks to relax the entry barriers for small and micro enterprise financing cooperation, effectively address the problem of financing difficulties for small and micro enterprises, and create conditions for the healthy development of small and micro enterprises in the later stage.

4.1.2 Lowering the Threshold for Government Procurement and Improving Procurement Policies and Measures

Although governments at all levels have begun to provide certain support for the business development of small and micro enterprises, such as proposing preferential policies related to government procurement, only a small number of small and micro enterprises meet the policy due to unclear access conditions and imperfect recognition mechanisms. Therefore, governments need to gradually relax the threshold for small and micro enterprises to participate in procurement, optimize the government procurement list in accordance with the needs of the times, encourage small and micro enterprises to obtain procurement discounts, and stimulate their enthusiasm for actively paying attention to and participating in government

procurement. Local governments can update procurement regulations, introduce detailed procurement policies and implementation plans, optimize procurement bidding procedures, expand information disclosure, encourage social entities to strengthen supervision awareness, and provide more opportunities for small and micro enterprises to participate in government procurement activities.

4.1.3 Enhancing the Legal Effectiveness of Fiscal Policies

In recent years, China has successively issued fiscal and tax policies to provide certain support for the operation and development of small and micro enterprises. However, most of the policies lack stability, or due to their lower legal status, their impact is relatively small, and the overall binding force is relatively lacking. This indicates that China needs to start from the legislative level, introduce regulations and provisions related to supporting the development of small and micro enterprises, and introduce corresponding supporting implementation measures to effectively improve the internal and external environment in which small and micro enterprises operate, thereby helping them break through their development difficulties.

4.2 Improving Tax Preferential Policies and Increasing the Intensity of Preferential Treatment

4.2.1 Enhancing the Intensity and Universality of Tax Preferential Policies

To promote the sustainable development of small and micro enterprises, governments at all levels can consider optimizing tax preferential policies, clarifying the rights and interests of small and micro enterprises at the policy level, providing more support for their development, and focusing on how to improve the efficiency of policy implementation. When studying tax preferential policies for small and micro enterprises, it is necessary to introduce the principle of tax equitableness, refer to the past tax burden pressure on small and micro enterprises, optimize the tax structure, and reduce some tax rates. According to the actual development needs of small and micro enterprises, multiple tax rate schemes with low tax rate characteristics can be set up to improve policy universality, and the concept of extra progressive tax rates can be adopted to strengthen support for small and micro enterprises. The current tax

preferential policies introduced by governments at all levels mainly cover agriculture, service industry, and high-tech fields, with less attention paid to small and micro enterprises in other industries. Most small and micro enterprises have a relatively high tax burden to bear. Therefore, government departments need to enhance the universality of support policies to ensure that more small and micro enterprises can receive support.

4.2.2 Raising the Threshold for Value-added Tax and Corporate Income Tax

Small and micro enterprises can promote the transformation and upgrading of regional industrial structure, which is directly related to economic development. Governments at all levels need to pay attention to the healthy development of small and micro enterprises, fully recognize the positive impact that the improvement of their competitiveness can bring to the development of the national economy, and provide support for small and micro enterprises in the field of tax management. China can moderately increase the corresponding value-added tax threshold for small and micro enterprises, improve the charge rate, introduce multiple tax rate schemes, design an extra progressive tax rate system based on the industry of small and micro enterprises, and effectively reduce the tax burden faced by small and micro enterprises. To avoid the phenomenon of individual businesses being repeatedly taxed in the past, it is necessary for the legislative department to clarify the types of taxes for small and micro enterprises as well as the conditions for tax reduction and exemption applications, and combine with the trend of the times to improve their corporate income tax, providing assistance for the healthy and long-term development of small and micro enterprises.

4.3 Improving the Service System for Small and Micro Enterprises and Providing Preferential Policies

4.3.1 Improving the Quality of Government Services

Local governments can gradually invest in public service platforms related to small and micro enterprise services, in order to enrich the channels for enterprises to obtain policy information and form scientific decisions based on information reference. These platforms need to be committed to providing high-quality services for small and micro

enterprises, and constructed and maintained with fiscal funds, creating a good and harmonious development environment for small and micro enterprises. Local governments need to fully demonstrate their subjective initiative, implement the concept of a service-oriented government, improve the pertinence of policy services, build a policy support system for small and micro enterprises with local characteristics, improve government service efficiency, improve government-enterprise relations, and ultimately promote the sustainable development of small and micro enterprises.

4.3.2 *Improving the Service System for Small and Micro Enterprises*

Small and micro enterprises have weak risk resistance capabilities and their stable and long-term development can't be achieved without good government service policy support. A sound service system for small and micro enterprises requires the joint efforts of multiple functional departments of the government to optimize the service process for small and micro enterprises through linkage and cooperation. Governments at all levels need to innovate the entire system, actively interact with small and micro business owners, understand the problems and demands faced by enterprises, make policy adjustments, and further promote the development of small and micro enterprises.

5. CONCLUSION

In summary, the introduction and implementation of fiscal policies can help alleviate the burden on small and micro enterprises, reduce their financial risks, and promote their development. The relevant government departments should attach great importance to analyzing the characteristics of small and micro enterprises in different industries and adjust targeted fiscal policies for small and micro enterprises to provide them with more support and promote stable socio-economic development.

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