



General Preferential Tax Reduction Measures for Small and Micro Enterprises

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General Preferential Tax Reduction Measures for Small and Micro Enterprises

Background

Since 2018, the State Council has been studying the tax reduction policy for small and micro enterprises. According to the statistics of the tax authorities, before November 2018, the implementation of the preferential tax policies for supporting the development of small and micro enterprises has resulted in a tax reduction of about 184 billion yuan for enterprises. Premier Li of the State Council chaired the executive meeting of the State Council on January 9 and decided to introduce a series of general preferential tax reduction measures for small and micro enterprises. The tax reduction policy is effective from January 1, 2019, and the implementation period is tentatively set for three years, that is, from January 1, 2019, to December 31, 2021. The policy aims to reduce the tax burden of small and micro enterprises by about 200 billion yuan every year, and is being called "the largest tax reduction in history".

The purpose of the tax reduction is to benefit enterprises directly and to stimulate market vitality. In the long term it is expected to help expand the tax base, conserve tax sources, and ultimately create employment, improve corporate profits and therefore fiscal revenue.

Tax Reduction Measures

1. Company Income Tax

(1) Relax the Standard of Small and Micro Enterprises who can enjoy the preferential policy of Company Income Tax

The relaxed standard is as follows:

- a. the total assets of enterprises are less than 50 million yuan,
- b. the number of employees is less than 300 yuan,
- c. and the taxable income is less than 3 million yuan.

After adjustment, preferential policies will cover more than 95% of enterprise taxpayers, of which 98% are private enterprises.

(2) Increased tax preferences

Actual taxable income	the portion of taxable income is calculated	Tax rate of company income tax	Calculated tax rate after tax reduction	Quick deduction
0-1 million	25%	20%	5% (25%*20%)	
1-3 million	50%	20%	10% (50%*20%)	50,000

Example: If the taxable income of a small enterprise is 2.4 million yuan in 2019

Income tax payable = 2,400,000 × 10% - 50,000 = RMB 190,000

2. Value Added Tax

Small-scale taxpayers (taxpayers whose annual VAT sales of taxable services are less than 5 million yuan, mainly including small and micro enterprises, individual businesses and other individuals) have increased their VAT threshold from 30,000 yuan to 100,000 yuan per month, and are exempted from VAT below 100,000 yuan.

Declaration method	Current VAT threshold	Old VAT threshold
Monthly declaration	sales of 100,000 yuan	sales of 30,000 yuan
Quarterly declaration	sales of 300,000 yuan	sales of 90,000 yuan

3. Other taxes

Provincial (district, city) governments are allowed to reduce resources tax, urban maintenance and construction tax, stamp tax, urban land use tax, cultivated land occupation tax, and other local taxes, as well as education fee surcharge and local education surcharge within 50% range for small-scale VAT taxpayers.

4. Investing in Start-up Technological Enterprises

Expanding the scope of preferential policies for investment in start-up technology-based enterprises, so that venture capitalists and angel investors who invest in such enterprises can enjoy more tax incentives.

Any enquiries, please contact LehmanBrown by enquiries@lehmanbrown.com

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