



General Preferential Tax Reduction Measures for Small and Micro Enterprises

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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 = $2,400,000 \times 10\% - 50,000 = \text{RMB } 190,000$

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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综合多年的国际经验和对中国市场的深刻理解和实践体验,我们向广大国内外的客户提供高质量的专业服务和意见帮助。在雷博国际会计的服务过程中,我们作为市场中的佼佼者,您将得到来自中国本土以及其它国家的高级资深专家热忱的咨询帮助。

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[China Statutory Audit](#)

US GAAP Audit

IFRS Audit

Hong Kong Statutory Audit

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Special Purpose Audit

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Royalty Audit

Capital Verification Audit

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M&A Divesture

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China Visa Services for Expatriates

Social Welfare Structures

Outsourcing Services

Accounting & Bookkeeping

Budgeting & Forecasting Financial Statement

Preparation Head Office Reporting

Financial Management

Interim Financial Management Finance

Manager Function

CFO Function

Treasury Management

Set-up of Bank Account

Payroll Services

Payroll Processing Setup

Expatriate Employees

Local Employees

Taxation Services

Individual Tax Planning (IIT)

Tax Immigration & Investment Review

US & Overseas Personal Income Tax Planning & Filing IIT Tax Payment Facilitation

Application for Individual Income Tax Refund
Expatriate Staff Individual Income Tax Staff

Filing Local Staff Individual Income Tax

Company Taxation (CIT)

Tax Consulting

Corporate Tax Planning

Business Restructuring

Value Chain Review

Onshore / Offshore Investment

Transfer Pricing

Tax Compliance

Tax Due Diligence

Tax Deregistration

Negotiation of Tax Penalties

Tax Refund Application

Tax Representatives for Tax Audit

VAT & Customs Duty Clearance

PRC Tax Receipt Verification

VAT Application

VAT & Sales Tax Filing

Corporate Income Tax Reporting

Specialist Accounting & Risk Management

Internal Controls

Systems

Risk Management

Sarbanes - Oxley (SOX 404)

GAAP, SEC & IFRS Compliance

US GAAP

US GAAP Financial Statement Preparation

US GAAP Conversion

Other GAAP

GAAP Conversion

Public Company Compliance

Financial Statement Preparation

IFRS

IFRS Accounting Repackaging

IFRS Financial Statement Preparation

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Legal Advisory

Labour Legal Advisory

Workforce Downsizing Advisory

Labour Tribunal Assistance & Advisory

Labour Law Review & Audits

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Legal Due Diligence

Corporate Restructuring Advisory

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Review & Preparation of JV Contracts

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