

An Empirical Analysis of Tax Reduction and Fee Reduction Policies Promoting the Improvement of Enterprise Development

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ABSTRACT

The outbreak of COVID-19 in 2020 has had a great impact on the production and operation of enterprises. The central government and local governments have introduced various preferential policies for tax reduction and fee reduction to improve the development environment of enterprises. What is the impact of the implementation of policies on the development environment of enterprises? In order to solve this problem, this paper selects enterprises in Shandong Province as the sample object, and makes an empirical analysis on the improvement of enterprise development by tax reduction and fee reduction policies.

Keywords: *Tax reduction and fee reduction, Enterprise, Development.*

1. INTRODUCTION

The outbreak of COVID-19 in 2020 has a great impact on the development of enterprises. In order to promote enterprises to tide over difficulties, resume work as soon as possible, and stabilize the economy, the central government and various localities have issued various preferential policies. Local governments at the central level have intensively introduced a number of tax reduction and fee reduction measures[1]. What is the benefit degree of enterprises since the implementation of tax reduction and fee reduction policy? What tax reduction and fee reduction policies should the government adopt in the next step to boost the development of enterprises? To solve these problems, this paper takes enterprises in Shandong Province as the object of empirical analysis, analyzes the effect of fiscal and tax preferential policies to promote the development of enterprises, and provides some feasible policy suggestions for the government's tax reduction and fee reduction policies in the post-epidemic era.

2. REVIEW OF LITERATURE

At present, research on tax and fee reduction policies has focused on the relationship with economic growth, tax revenues, and

implementation effects. Yang Canming (2017) pointed out that "tax reduction and fee reduction" can regulate the distribution of social income and is an important means to ensure full employment and stimulate demand. Miravete E.J. (2017) pointed out that optimal taxation should be closely linked to market response and price trends to ensure a balance. Xing Dongrong (2018) started with the overall situation of tax and fee reductions in Chaozhou, and analyzed whether the effects of the new round of tax and fee reductions can meet the requirements of supply-side structural reforms. Zhang Chengyuan (2018) pointed out that policy dividends are urgently needed for corporate development at this stage, and effective tax and fee reduction measures are indeed a benign institutional environment essential for corporate development[2].

3. AN EMPIRICAL ANALYSIS ON THE IMPROVEMENT OF ENTERPRISE DEVELOPMENT ENVIRONMENT

3.1 Changes in Enterprise Scale After the Epidemic

As of February 2021, Shandong Province has a total of 12057082 market entities, a year-on-year

increase of 22.43%. Among them, there were 3,686,630 enterprises, a year-on-year increase of 27.38%; 8,132,528 self-employed households, a year-on-year increase of 20.34%; and 237,924 agricultural colleges, a year-on-year increase of 21.59%. As shown in "Figure 1" and "Figure 2", from March 2020 to February 2021, the number of enterprises and individual households has maintained a rapid monthly growth. The average monthly increase of 68,345 enterprises, and the average monthly increase of 122,080 self-employed households indicates that the financial and taxation policies adopted by the government after the epidemic have played a greater role, and the survival and development of enterprises have maintained a good momentum.

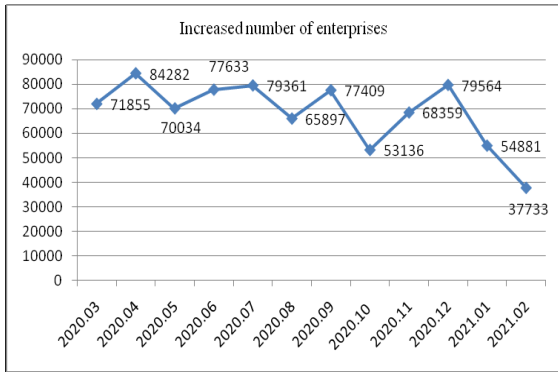


Figure 1 Trends in the number of new enterprises in Shandong in the past 12 months.

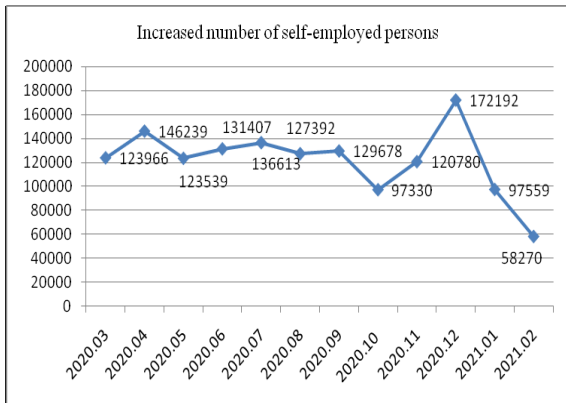


Figure 2 Trends in the number of new self-employed households in Shandong in the past 12 months.

3.2 Tax Reduction of Enterprises After the Epidemic

From January to December 2020, the fiscal revenue of Shandong Province reached 656 billion yuan, an increase of 0.5% over the previous year.

Tax reduction and fee reduction have been well implemented, with an annual increase of 185 billion yuan. The main tax revenue items are as follows: the value-added tax is 181.4 billion yuan, down 7.4%. Urban maintenance and construction tax was 28.4 billion yuan, down 2.1%. The enterprise income tax was 68.7 billion yuan, down 1.4%. Personal income tax was 18.2 billion yuan, an increase of 23.5%. The property tax was 16.6 billion yuan, down 0.7%. The land value-added tax was 43.3 billion yuan, an increase of 7.2%. The deed tax was 50.3 billion yuan, an increase of 10.4%.

3.2.1 Changes in VAT (Value-added Tax)

By comparing the value-added tax from January to December in 2020 with the same period in 2019, the value-added tax decreased from January to August in 2020 except June. In March, it dropped by 30%. ("Figure 3") This shows that the value-added tax is greatly reduced, which makes the enterprises really gain benefits and reduces the tax burden of enterprises. Later, with the improvement of economy, the value-added tax turned into an increasing trend.

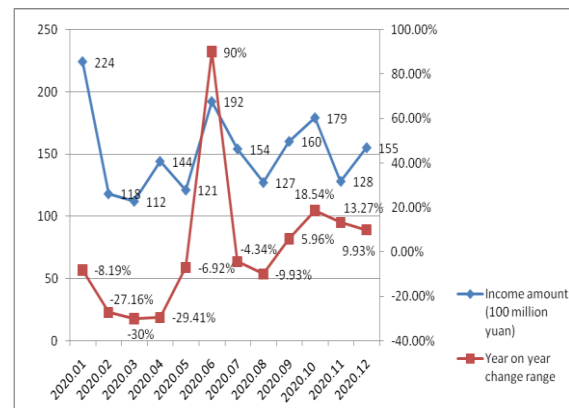


Figure 3 Changes in VAT increase and decrease in 2020 compared with the same period in 2019.

3.2.2 Changes in Corporate Income Tax

As shown in "Figure 4", from January to December 2020, the income of enterprise income tax showed a great change trend, with the lowest income of 500 million yuan in February and the highest income of 14.5 billion yuan in January. Compared with the same period in 2019, January-May and September were negative, December was flat, and other months showed positive growth. This shows that the enterprise income tax has dropped

greatly, and the burden of enterprises has decreased obviously.

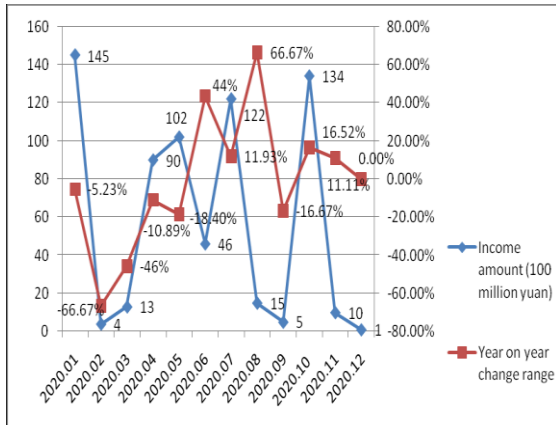


Figure 4 Changes in corporate income tax in 2020 compared with the same period in 2019.

3.2.3 Changes in Urban Construction Tax

As shown in "Figure 5", from January to December 2020, the urban construction tax did not change much, and the monthly income was roughly maintained at about 2 billion yuan. Compared with the same period in 2019, it showed negative growth from January to April and positive growth in other months. This shows that tax reduction and fee reduction benefit enterprises obviously in the early stage, and in the later stage, with the improvement of economy, urban construction tax shows a positive growth trend.

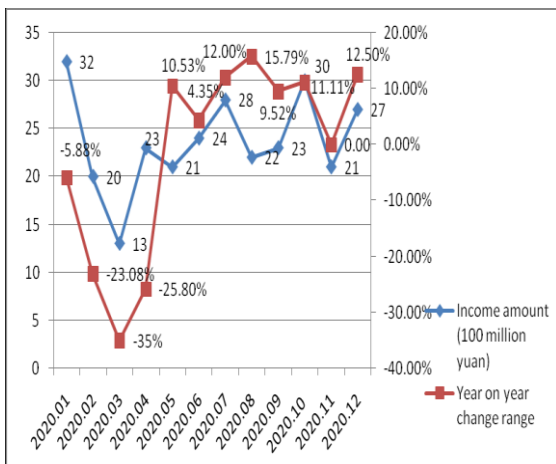


Figure 5 Changes in urban construction tax in 2020 compared with the same period in 2019.

3.3 The Cost Reduction of Enterprises After the Epidemic

3.3.1 Charge Reduction Policy Boosts Industrial Development

While fully implementing the national tax reduction and fee reduction policy, Shandong Province has issued five government fee reduction and exemption policies. From January to October, 2020, the province's enterprises will reduce their burdens by 4 billion yuan. The government has adopted a large number of cost reduction policies in logistics costs, cultural industry development, employment and entrepreneurship, and medical device industry development, which have played a significant role.

3.3.2 Implementing the Policy of Refunding Non-tax Income During the Epidemic

In order to speed up the cost reduction, Shandong made relevant policies on non-tax refund in time in 2020. Financial departments at all levels strive to implement non-tax refunds. By January 2021, Shandong Province had handled a total of 370,000 policy refunds of non-tax revenue, amounting to 360 million yuan. Non-tax refund mainly involves rent reduction, tuition examination fee refund and other social concerns. Through the implementation of this policy, the practical difficulties of enterprises have been effectively solved[5].

3.3.3 Reducing Social Security Premiums for Difficult Enterprises

Since 2020, the social and social departments have effectively reduced the burden on enterprises by implementing policies such as "exemption from slowdown and reduction of subsidies". By the end of September, 2020, a total of 646,000 enterprises had enjoyed preferential relief, with social insurance premiums reduced by 59.71 billion yuan. The details are as follows: the pension insurance premium is reduced by 55.79 billion yuan, the unemployment insurance premium is reduced by 2.35 billion yuan and the industrial injury insurance premium is reduced by 1.57 billion yuan. The reduction and exemption of social security fees makes enterprises feel the most direct, which effectively promotes the development of enterprises.

4. SUGGESTIONS ON IMPROVING THE DEVELOPMENT OF ENTERPRISES

4.1 Adjusting the Focus of Work According to the Needs of Enterprises

In the next step, according to the needs of enterprises, enterprises should do a good job in increasing tax reduction and fee reduction, reducing or delaying the payment of social security fees in stages, giving employment subsidies, providing medium and long-term loans, etc., so as to promote the development of enterprises.

4.2 Accurate Regulation and Effective Burden Reduction

Implement targeted tax reduction policies for different industries. For example, labor-intensive industries should continue to increase tax rebates and encourage the transformation and upgrading of these industries; For technology-intensive industries, we should increase R&D plus tax deduction preferential policies; In addition to continuing to implement the institutional tax reduction policy and extending the implementation period of some phased policies, tax reduction policies supporting small and medium-sized enterprises and individual industrial and commercial households should be accurately implemented [6].

4.3 Streamlining the Policy Implementation Process and Optimizing Services

Tax departments should make full use of modern information technology, continuously optimize the tax process and reduce taxpayers' tax costs. Tax authorities should focus on improving the accuracy of preferential policies, establishing a preferential tax and fee policy system, actively identifying taxpayers who meet the conditions for enjoying preferential policies by relying on big data on the cloud platform, and accurately promoting preferential tax and fee policies nationwide. Except for the record-keeping system for major tax preferential policies, such as VAT refund immediately, tax refund first, plus deduction, etc., all others will be changed to data retention for future reference, so that enterprises can enjoy the dividend of tax reduction and fee reduction more easily[3].

4.4 The Social Security Fee Reduction Policy Should Be Coordinated with Other Policies

In the aspect of social security fee reduction, we should change our focus and coordinate the social security fee reduction policy with other policies. First, we must speed up the national co-ordination of endowment insurance, and continue to promote the reform of social security contributions and fee reduction without affecting the pension benefits of employees; Second, it is necessary to standardize commercial insurance, in order to encourage enterprises and individuals to purchase commercial insurance, increase the amount of pre-tax deduction, and make commercial insurance a supplement to social security[4].

4.5 Establishing Pre-assessment and Post-assessment Mechanisms

Before the implementation of the policy, it is necessary to establish a scientific evaluation mechanism in advance. The establishment of the mechanism should consider the following factors: the mutual connection between tax policy and industrial policy, the enforcement of policies by grass-roots tax authorities and the influence of policies on taxpayers' behavior. In the process of policy implementation, cost-benefit analysis should be used to analyze the efficiency of policy use, and timely adjust and terminate preferential policies that waste financial funds and have no obvious long-term guiding effect; follow up and promote efficient preferential policies in time.

5. CONCLUSION

The policy of reducing taxes and fees has improved the development of enterprises.

5.1 The Enterprise Has a Good Development Momentum

The number of newly added households in enterprises remained at a high level, especially the growth of individual industrial and commercial households was faster, and there was no unexpected phenomenon of serious bankruptcy and shrinking business opening.

5.2 *The Tax Burden of Enterprises Is Obviously Reduced*

Among them, the tax revenues such as value-added tax, enterprise income tax and urban construction tax showed negative growth in the early stage of 2020, showing that the government's tax reduction policy played a great role. In the later stage, with the economic recovery, the increase of tax base made the tax revenues increase.

5.3 *The Cost Burden of Enterprises Is Obviously Reduced*

A series of policies adopted by the government to reduce social insurance premiums effectively reduce the burden on enterprises, boost enterprises to resume work and resume production, and give full play to the important role of social insurance safety net and stabilizer.

AUTHORS' CONTRIBUTIONS

Xiuling Wu mainly completed the data collection and sorting of the paper; Xueli Sun has completed the literature collection and sorting of the thesis.

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