



# Accounting & Outsourcing Newsletter - Tax Relief for Small and Micro Enterprises

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## Introduction

On January 17<sup>th</sup>, 2019, the Ministry of Finance and the State Administration of Taxation (SAT) issued the Notice of inclusive tax reliefs on small and micro companies (Cai Shui [2019] No.13). The new policy will be implemented from January 1<sup>st</sup>, 2019 to December 31<sup>st</sup>, 2021.

This new policy will help entrepreneur to start their business in China with a minimum tax impact.

## Main changes of the new policy are as follows:

### ❖ Tax incentives for small-scale value added tax (VAT) payer

- Compared to the prior regulation, the small-scale (VAT) payer whose monthly sales is no more than **CNY100,000** rather than CNY 30,000 shall be exempted from VAT.
- The small-scale VAT taxpayer can enjoy at most **50%** of tax deduction on resource tax, urban maintenance and construction tax, property tax, urban land use tax, stamp tax (excluding stock trading stamp tax), cultivated land occupation tax, education surcharge and local education surcharge.

### ❖ The criteria of the small low-profit enterprises has been loosen and tax benefit

If the company meet the following criterias, the Company can enjoy lower tax rate

Criteria:

	Before	After
<b>Employees</b>	100 persons for industrial enterprises and 80 persons for other enterprises	<b>300 persons</b>
<b>Annual taxable income</b>	CNY 1 million	<b>CNY 3 million</b>
<b>Annual sales revenue</b>	30 million for industrial enterprises and 10 million for other enterprises	<b>50 million</b>

### New tax rate and calculation method :

The new regulation introduces the excess progressive calculation method to release tax burden on small low –profits enterprises.

Taxable Income	Tax rate
Less than CNY 1 million	<b>5%</b> (20% preferential corporate income tax * 25% tax free)
Above CNY 1 million but less than 3 million	<b>10%</b> ( 20% preferential corporate income tax * 50% tax free)

❖ *Preferential policy for venture capital enterprises and angels*

Venture Capital Enterprises and Angel investors in start-up technology-based enterprises can use **70%** of investment amount to deduct taxable income.

## **Mazars' Recommendation**

Based on the new criteria, we recommend to you follow carefully your 2019 taxable profit especially if you are close to the criteria.

Mazars can assist you to build management reporting and related KPI in your business in order to ease your business operation monitoring.

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<sup>[1]</sup> Where permitted under applicable country laws

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