



Outsourcing newsletter - Tax preferential policies summary - Small and Micro Enterprises (SMEs)

In recent years, the State Council has issued several supporting policies for small and micro enterprises.

To help you identify the policies that may be applicable to your business, we listed as below indicating, where necessary, the date of expiry.

Tax / Fee	Policy	Valid until	How to enjoy	Points of attention
Value-Added Tax (VAT)	Exemption for small taxpayers	31 December 2022	Automatic	<ul style="list-style-type: none"> VAT special invoice cannot be issued on exempted income
	10% / 15% additional VAT input deduction	31 December 2022	File an application firstly	<ul style="list-style-type: none"> For VAT general taxpayers only Engaging in production or livelihood and life services
	End-of-period tax credit refund	No date	File an application firstly	<ul style="list-style-type: none"> For VAT general taxpayers only Other conditions apply

Corporate Income Tax (CIT)	Annual taxable income < 1M, rate = 2.5% 1M < Annual taxable income < 3M, rate = 5%	31 December 2024	Automatic	<ul style="list-style-type: none"> If taxable profit exceeds RMB 3M, normal CIT rate (25%) applies to the entire profit
“Six taxes, Two fees” *	50% cost reduction	31 December 2024	Automatic	<ul style="list-style-type: none"> For VAT small taxpayers and small and micro enterprises
Educational Surcharge & Local Educational Surcharge	Exemption if monthly turnover ≤ 100k (or quarterly turnover ≤ 300k)	No date	Automatic	<ul style="list-style-type: none"> For VAT small taxpayers and VAT general taxpayers
Disabled fund	Exemption if staff headcount ≤ 30	31 December 2022	Automatic	<ul style="list-style-type: none"> If headcount exceeds 30 and no disabled employee hired, normal disabled fund calculation applies

Small and micro enterprises criteria

An enterprise meeting all the following criteria shall be considered as a small and micro enterprise:

- Enterprises engaging in non-restricted and non-prohibited businesses
- Annual taxable income does not exceed RMB 3M
- Headcount does not exceed 300
- Total assets do not exceed RMB 50M

“Six taxes, Two fees” includes the following

- Resource Tax (excl. Water Resource Tax)
- Urban Maintenance and Construction Tax
- House Property Tax
- Urban Land Use Tax
- Stamp Duty (excl. Stock Trading Stamp Duty)
- Arable land use tax
- Educational Surcharge
- Local Educational Surcharge

Should you have questions regarding the potential impact of these measures on you, please reach out to your usual point of contact at Mazars.

References:

- Ministry of Finance and State Administration of Taxation, [2022] No.15: Notice on the exemption of VAT for small-scale taxpayers (link [here](#) in Chinese);
- Ministry of Finance and State Administration of Taxation, [2022] No.11: Notice on VAT policy to promote the development of distressed industries in the service sector (link [here](#) in Chinese);
- Ministry of Finance and State Administration of Taxation, [2022] No.14: Notice on further Strengthening the implementation of the tax rebate policy of VAT at the end of the period (link [here](#) in Chinese);
- Ministry of Finance and State Administration of Taxation, [2022] No.13: Notice on further implementing the preferential policy on Corporate Income Tax for small and micro-sized enterprises (link [here](#) in Chinese);
- Ministry of Finance and State Administration of Taxation, [2022] No.10: Notice on further implementing the policy of “Six taxes and Two fees” for small and micro-sized enterprises (link [here](#) in Chinese);
- Ministry of Finance and State Administration of Taxation, [2016] No.12: Notice on Expanding the Scope for Exemption from Certain Governmental Funds (link [here](#) in Chinese);
- Ministry of Finance, [2019] No.98: Notice on adjustments to the Policy for the Levy of Employment Security Funds for the Disabled (link [here](#) in Chinese).

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