Reflections on Tax Preferential Policies for R&D Innovation of Small and Medium-sized High-tech Enterprises

Lirong Zhu

College of Finance and Taxation, Jilin Business University, China

Keywords: small and medium-sized high-tech enterprises; tax preference; legal system;

Abstract. Under the background of accelerating the upgrading of national industrial structure and promoting the transformation of economic structure, a series of effective regulation and control measures must be adopted to support small and medium-sized high-tech enterprises. Tax preference is an effective measure for the state to intervene in the economy and carry out macro-control. At present, the tax preferential laws for small and medium-sized high-tech enterprises in China are complicated and scattered, and there are some problems such as unclear legislative authority and imperfect specific preferential methods. Through the analysis of the problems existing in China's small and medium-sized high-tech enterprises, this paper puts forward specific solutions.

Small and medium-sized high-tech enterprises are the key industrial enterprises supported by the state, the important force to promote economic restructuring, and the effective way to improve the overall quality of the national economy. Strengthening the research on tax preferences for small and medium-sized high-tech enterprises and providing better tax support can play the role of macro-guidance and regulation of the state to the industry.

Main Problems Existing in China's Small and Medium-sized High-tech Enterprises

Independent Innovation Ability of Small and Medium-sized High-tech Enterprises Needs to be Strengthened

Our country's technological innovation and industrialization of high and new technology have a low starting point and strong dependence on the introduction of key technologies. Participating in the international market competition in the economic globalization, China's high-tech products are usually realized through the lower price advantage, but in the high-tech patent intellectual property rights, advanced technology production technology and the establishment and promotion of high-tech brands are far from enough.

Low Economic Value Added of Products

At present, the production of small and medium-sized high-tech enterprises in our country mainly concentrates on simple links, such as product processing, assembly and so on. Its economic value-added is low, and it has a weak driving force for the industry.

China's high-tech Talent Resources are Scarce, and there is a lack of Sound Scientific and Technological Personnel Management Mechanism

Scientific and technological talents are the core of technological research. The competition for scientific and technological talents is very fierce. The professional technology of a scientific
and technological talents in a certain field may directly affect the market position of an enterprise.

**Current Situation of Tax Preferential Legal System for Small and Medium-sized High-tech Enterprises in China**

**Enterprise Income Tax Preferences**

In terms of technology transfer, the eligible income from technology transfer shall be reduced or exempted, and the legal partner of a venture capital enterprise with limited partnership shall be exempted from personal income tax by investment; in terms of encouraging high and new technology, the research and development expenses incurred in the development of new technologies, new products and new technologies shall be added and deducted, and the newly established high and new technology enterprises in special economic zones and Shanghai Pudong New Area shall be established. In terms of investment enterprises, high-tech enterprises that need to be supported by the state should be levied at a 15% tax rate, and venture capital enterprises should be deducted at a certain proportion of the investment amount.

**VAT Tax Preferences**

In technology transfer, technology transfer and technology development are exempted from VAT; in technology development, VAT for photovoltaic power generation is exempted from VAT; in National University Science Park and technology enterprise incubator, VAT for software products is exempted from VAT; and in independent innovation, VAT for software products is exempted from VAT.

**Personal Income Tax Preferences**

Personal income tax directly stipulates that small and medium-sized high-tech enterprises have less tax incentives. It supports the training of talents in the field of small and medium-sized high-tech enterprises through tax incentives for outstanding talents.

**Preferential Tax on Real Estate**

In promoting the development of science and technology, property tax is exempted for non-profit scientific research institutions, science and technology parks for their own use, for the use of incubators for their own use and for the use of incubators for their own use, and for the use of incubators for their own use; and for the restructuring of scientific research institutions, property tax is exempted for the research and development houses of restructured scientific research institutions.

**Preferential Tax on Urban Land Use Tax**

Land tax exemption for self-use of land for non-profit scientific research institutions, for self-use of science and technology parks and for providing incubators to use land, for self-use of incubators and for providing incubators to use land for incubators, for scientific research and development of transformed scientific research institutions.
Problems in Tax Preferential Legal System of Small and Medium-sized High-tech Enterprises in China

China's Small and Medium-sized High-tech Enterprises Tax Preferential Legal System is not Perfect

Firstly, the legislative level of tax preferential legal system for small and medium-sized high-tech enterprises in China is low. The current system of our country does not have a comprehensive document on the overall arrangement and planning of tax preferential legal system for small and medium-sized high-tech enterprises. Tax preferences for small and medium-sized high-tech enterprises in China are mostly issued by the State Administration of Taxation and relevant ministries and commissions of the State Council in the form of normative documents, with low legal level and lack of authority and rigor. Secondly, China currently forbids all local governments to formulate preferential tax policies for small and medium-sized high-tech enterprises. This kind of uniform prohibition is not necessarily in line with the actual needs of various regions, but should be made clear by formulating more detailed provisions of the corresponding local authority. Thirdly, the tax preferences for small and medium-sized high-tech enterprises in China are unreasonable. The tax preferential modes among different kinds of taxes should form an organic whole and act together on small and medium-sized high-tech enterprises.

The Stipulation of Tax Preferential Legal System for Small and Medium-sized High-tech Enterprises in China is not Clear about the Relevant Standards

Tax preferences for small and medium-sized high-tech enterprises in China are unclear in many key identification criteria. Its prominent performance is that the legal system of tax preferences has no detailed provisions on the relevant definitions, connotations, scope of application, and there is ambiguity.

There are Great Limitations in the tax Preferential Mode of Small and Medium-sized High-tech Enterprises in China

Firstly, at present, the tax preferences of small and medium-sized high-tech enterprises in China are mainly direct preferences, mainly focusing on tax deduction and tax rate preferences. The policy strength of indirect preferential methods, such as investment credit, accelerated depreciation, R&D expense plus deduction, tax credit, reserve for scientific and technological development, is not enough. In the form of direct preference, the tax preference of small and medium-sized high-tech enterprises pays too much attention to the production and sales links, which results in the high-tech enterprises paying too much attention to the production results and neglecting the stage of research and development. Research and development activities often require a large number of independent scientific and technological innovation, and an enterprise should also achieve further development mainly through technological innovation. If we pay too much attention to the results, in order to enjoy tax incentives, enterprises may achieve "success" in the production results by introducing a large number of technologies and authorizing production. Secondly, at present, there are still many preferential tax policies for small and medium-sized high-tech enterprises in China, which can easily lead to unfair tax revenue. At present, there are many special tax preferential policies for all kinds of development zones in China, and even some places still
have the problem of illegal implementation of tax preferential policies in development zones for the purpose of attracting investment and other purposes. Differential treatment practices inside and outside the region not only cause unfairness, but also prone to some problems such as false identification and false registration.

**Specific Measures for Improving the Tax Preferential Legal System of Small and Medium-sized High-tech Enterprises in China**

**Promoting the Legislative Level of Tax Preferential Legal System for Small and Medium-sized High-tech Enterprises**

Improving the level of legislation can be considered from three aspects: formulating the basic tax law, promulgating the law on promoting small and medium-sized high-tech enterprises, and combing the existing tax preferences for small and medium-sized high-tech enterprises.

**Strict Administration of Tax Preferential Legislation of Administrative Organs and Local Governments**

Under the background of deepening the reform of Finance and taxation and the requirement of realizing the legalization of taxation, China should establish a tax preferential legislation system with the National People's Congress and its Standing Committee as the main body and the State Council as the auxiliary. Based on the unbalanced regional development and the current situation of small and medium-sized high-tech enterprises in China, we should also give local high and medium-sized high-tech enterprises tax preferential legislative power according to the specific conditions of different parts of China.

**Refinement of the Legal System of Tax Preference for Small and Medium-sized High-tech Enterprises and Identification of Key Issues**

Our country has not only the tax preferences generally applicable to small and medium-sized high-tech enterprises, but also the tax preferences implemented in different fields for small and medium-sized high-tech enterprises. To achieve their specific objectives, we need to further refine the provisions for identifying key issues. For example, in addition to the general provisions for the identification of high-tech enterprises, we should also study these general provisions, and design the corresponding provisions for the recognition of the characteristics of high-tech enterprises engaged in different business scopes.

**Improving the Tax Preferential Way of Small and Medium-sized High-tech Enterprises**

**Improving the Main Tax Types of Tax Preferences for Small and Medium-sized High-tech Enterprises**

Corporate income tax. Enterprise technology development funds may be established in accordance with the law, and funds for certain technology development may be deducted from the total investment or sales of investment and development projects in a certain proportion. We should further improve depreciation methods, relax the depreciation life limit for high-tech enterprises, and allow them to choose accelerated depreciation methods suitable for the development of enterprises.

Value added tax. In the value-added tax reform aiming at the establishment of "consumption-oriented" VAT, we should emphasize that we should improve the VAT tax system, increase investment in scientific research, improve the capital flow of high-tech
enterprises, and create better conditions for technological research and development. Usually, the value of R&D equipment, instruments and intangible assets engaged in high-tech technology research is high. If fixed assets such as purchased production equipment and instruments cannot be deducted from input tax, they will bear a greater burden.

Individual income tax. We need to strengthen the implementation of personal income tax preferences for scientific and technological personnel in small and medium-sized high-tech enterprises, further implement income tax exemptions for the transfer of scientific and technological achievements, patent licensing fees and other aspects of high-tech employees, and give preferential income tax benefits for dividends and transfer income in equity incentives. Especially when individuals invest in small and medium-sized high-tech enterprises, their income tax will be reduced or exempted.

**Tax Preferences Change from Regional Tilt to Industrial Tilt to Eliminate Tax Discrimination**

Under the principle of tax fairness, regional preferential tax policies should be gradually reduced, while industrial preferential tax policies should be taken as the orientation and more attention should be paid to fairness. Whether or not tax preferences should be granted should be judged strictly according to the recognized standards and conditions to see whether they belong to the preferential target of small and medium-sized high-tech enterprises and whether the R&D of high-tech projects meets the specific conditions to determine whether they can enjoy tax preferences.

**Tax Preferences for Small and Medium-sized High-tech Enterprises have Changed from Result-oriented Stage to R&D Stage**

From focusing on results to focusing on R&D, we should increase the support of tax incentives in R&D. Small and medium-sized high-tech enterprises need to establish a strict assessment system for R&D links and design tax incentives for R&D links, so that market players in R&D stage or mainly engaged in R&D activities can be fully supported by tax incentives. The key to realize the transformation of tax preferential stage for small and medium-sized high-tech enterprises lies in the change of tax preferential mode from direct preferential mode to indirect preferential mode. Indirect preference is different from direct preference in transferring after-tax benefits. It is an incentive measure in advance, which can stimulate market investment and research and development of small and medium-sized high-tech enterprises. Compared with direct preferences, indirect preferences are more effective.

The development of small and medium-sized high-tech enterprises needs the support of tax revenue. The development of small and medium-sized high-tech enterprises in China can be realized through tax incentives. The implementation of tax preference is a "double-edged sword". Tax preference is to give preferential treatment to certain specific subjects in addition to the general tax provisions. If we cannot grasp the particularity of tax preference subjects, either their tax preferences cannot really play a role, or there are problems of abuse of tax preferences. In a word, by improving the tax preferential legal system of small and medium-sized high-tech enterprises in China, we can provide strong institutional support for the development of small and medium-sized high-tech enterprises in China.
References


