

Summary of Tax Incentive Policies for Small and Micro Enterprises (SMEs)

1. Preferential Corporate Income Tax Policies for Small and Low-Profit Enterprises

- Eligibility Criteria:
 - Engaged in industries not restricted or prohibited by the state.
 - Annual taxable income \leq RMB 3 million.
 - Number of employees \leq 300.
 - Total assets \leq RMB 50 million.
- Tax Rate Benefits:
 - For taxable income \leq RMB 3 million, 25% of the income is taxable at a 20% rate, resulting in an effective tax rate of 5%.
 - Example: A business with RMB 2.8 million profit pays corporate tax = $2.8M \times 25\% \times 20\% = \text{RMB } 140,000$, saving RMB 560,000 compared to the standard 25% rate.
- Policy Validity:
 - Extended until December 31, 2027.

2. VAT Exemption for Small-Scale Taxpayers

- Exemption Threshold:
 - Monthly sales \leq RMB 100,000 (or quarterly \leq RMB 300,000) are exempt from VAT.
 - In 2025, the 3% VAT rate remains reduced to 1%.

3. 50% Reduction on "Six Taxes and Two Fees"

- Applicable Taxes:
 - Resource tax, urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding securities trading), farmland occupation tax, as well as education surcharge and local education surcharge.
- Eligible Entities:
 - Small and low-profit enterprises, individual businesses, and small-scale VAT taxpayers.
- Policy Validity:
 - January 1, 2023 – December 31, 2027.

4. Preferential Tax Policies for Individual Businesses

- Double Exemption Policy:
 - Individual businesses with annual sales \leq RMB 1.2 million issuing ordinary invoices enjoy VAT + personal income tax exemption (0% effective tax rate).
- Assessed Collection Benefits:
 - For businesses with annual sales \leq RMB 5 million, personal income tax may be assessed at 0.5%-1%, resulting in a total tax burden of 1.56%-2.06%.

5. Other Tax Incentives

- Stamp Duty Exemptions:
 - Loan contracts between financial institutions and SMEs are exempt from stamp duty.
 - Small-scale taxpayers and small/low-profit enterprises enjoy a 50% reduction on stamp duty for sales contracts.
- Disability Employment Security Fund:
 - Enterprises with \leq 30 employees are temporarily exempt (until December 31, 2027).