Analysis on the Development of High-Tech Enterprises Against the Background of Tax and Fee Reduction Policies
Taking Chongqing as an Example

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Abstract—Against the background of tax and fee reduction policies, this paper analyzes the development status of Chongqing's high-tech enterprises and concludes that tax and fee reduction policies can effectively promote the healthy and sustainable development of Chongqing's high-tech enterprises. In 2019, the policies of tax and fee reduction continued to strengthen their intensity, covering all high-tech enterprises, and delivering policy dividends in a precise manner, thus effectively enhancing enterprises' sense of gain. The positive incentive effect of tax and fee reduction policies on high-tech enterprises is gradually emerging, playing an outstanding role in reducing the cost burden, improving business efficiency, stimulating innovation, boosting development confidence and promoting industrial upgrading.

Keywords: tax and fee reduction, high-tech, development

I. INTRODUCTION

Innovation is the primary driving force for development and an important support for building a modernized economy. The Report to the 19th National Congress of the CPC put forward the strategy of innovation-driven development. In recent years, high-tech enterprises in Chongqing have been making reformation in the original field and innovation in new frontiers, with steady development and growth. In the past five years, the average annual growth rate of operating revenue has exceeded 30%. By the end of 2018, the number of enterprises was nearly four times that of 2013. In 2019, focusing on the national innovation-driven development strategy, Chongqing fully implemented various preferential tax policies for tax and fee reduction to facilitate the healthy and sustainable development of high-tech enterprises.

II. THE BENEFITS OF TAX AND FEE REDUCTION POLICIES HAVE BEEN FULLY RELEASED

The policy of tax and fee reduction has covered all high-tech enterprises, and the policy dividend has been delivered precisely, which has enhanced the sense of gain of enterprises.

A. Tax cut dividends are intense and have a wide coverage

1) Tax cut dividends are intense: In 2019, a total of billions of yuan of new tax cuts was made for high-tech enterprises in the city, equivalent to a quarter of the current tax revenue for enterprises in storage, and more than 10% of the total tax cuts. The intensity of tax cuts is significantly greater than that for other types of enterprises.

2) Tax cut dividends have a wide coverage: In 2019, more than 2,400 high-tech enterprises in the city enjoyed the new tax and fee reduction policy, benefiting nearly 100% of them; it involved 16 industries, 8 tax categories, 25 tax and fee reduction policies, and the average number of policies enjoyed by each enterprise was nearly 5. And the high-tech enterprises enjoying more than 5 policies accounted for nearly 60%.

B. Targeted efforts to reduce tax are solid and well-structured

1) The tax cuts focuses on the real economy, helping to accelerate the development of advanced manufacturing and technology services (see "Fig. 1")

In 2019, the new tax cuts in high-tech enterprises in manufacturing, information transmission, software and information technology services, and scientific research and technology services accounted for more than 90 percent of high-tech enterprises, and the number of them also accounts for nearly 90 percent.

Fig. 1. Industry comparison chart of tax and fee reduction in high-tech enterprises of Chongqing in 2019.
2) The tax reduction of direct tax is greater than that of indirect tax, which enhances enterprises’ sense of gain: The tax reduction for high-tech enterprises is mainly concentrated in value-added tax and income tax, the three tax deductions account for more than 95% of all taxes. In 2019, new VAT tax cuts accounted for one-fifth of the total value added tax receipts, effectively reducing value-added tax burdens. New tax cuts for corporate income tax account for nearly a third of the corporate income tax receipts and direct tax reduction is greater than indirect tax reduction, so that enterprises have a stronger sense of gain. In particular, the new individual income tax reduction exceeds the current tax revenue, so that enterprise employees can directly share the tax reduction and fee reduction dividends.

C. Tax cuts are highly concentrated and targeted
- The tax reduction for high-tech industries is mainly concentrated in the nine districts of the main city and Jiangjin, Yongchuan, Bishan and other regions in western Chongqing, and the new tax cuts account for nearly 80% of the total.
- High-tech enterprises are mainly concentrated in large and medium-sized enterprises.

In 2019, high-tech enterprises with more than 5 million yuan in revenue accounted for more than 70 percent, and tax reduction accounted for more than 95 percent. Small and low-profit high-tech enterprises accounted for less than 20 percent of the total, and tax reduction was less than 2 percent.
- The tax reduction for high-tech industries mainly is concentrated in the new districts under development.

Among them, Liangjiang new District has the largest scale of tax reduction and number and of enterprises; Jiangbei District has the highest average tax reduction for each enterprise; and the High-tech District and Economic Development District also come out top.

III. TAX AND FEE REDUCTION PROMOTES THE BURDEN REDUCTION, EFFICIENCY ENHANCEMENT AND INNOVATIVE DEVELOPMENT OF HIGH-TECH ENTERPRISES

The positive incentive effect of tax and fee reduction policy on high-tech enterprises is gradually showing. It has played a prominent role in reducing the cost burden, improving business efficiency, stimulating innovation, boosting development confidence and promoting industrial upgrading.

A. Cost pressure has eased, and the overall tax burden has fallen
1) Operating costs have declined significantly: Tax cuts and fee reductions helped enterprises reduce their production costs. In 2019, the cost per 100 yuan of operating income for high-tech enterprises with an operating income of more than 5 million yuan decreased significantly. Among them, policies such as "six taxes and two fees" which refer to resource tax, urban maintenance and construction tax, real estate tax, urban land use tax, stamp tax (excluding stamp tax on securities transactions), farmland occupation tax, education fee and local education fee directly reduce the cost of enterprises' real estate, land and other means of production. Calculated at the current one-year benchmark bank lending rate of 4.35%, tax cuts and fees are saving enterprises nearly 200 million yuan in capital costs. More than 70 percent of the companies surveyed said their operating costs fell year on year, according to the survey.

2) The overall tax burden has fallen: In 2019, the comprehensive tax burden (tax revenue/operating revenue) of high-tech enterprises decreased compared with the same period last year. Among them, the VAT tax burden and the enterprise income tax burden dropped most significantly. The decrease of production cost and tax burden has saved the momentum for the development of high-tech enterprises.

B. The revenue trend is good, and the profit is inclined toward “high-tech” enterprises
1) Revenue is growing steadily: According to the data of quarterly corporate income tax declaration, in 2019, Chongqing's high-tech enterprises developed rapidly with year-on-year growth in operating income, reflecting the effective implementation of the high-tech tax reduction and exemption policy in response to the reverse adjustment of traditional industry downturn. It is worth noting that high-tech enterprises in scientific research and technology services, information transmission software and information technology services have been developing rapidly, with their operating revenue increasing by more than 10%.

2) Profit growth is concentrated in “high-tech” industries: Among the 15 industry categories, the profit of “labor-intensive” industries such as wholesale, retail, transportation, warehousing and postal service declined by a large margin, while the profit of “knowledge and technology intensive” industries such as pharmaceutical manufacturing and research and experimental development service industry all increased by more than 20%.

C. R&D input increases, promoting scientific and technological innovation
1) Reducing taxes and fees will strengthen the confidence of enterprises to increase investment in scientific research: In the past three years, the R&D investment of high-tech enterprises has been increasing year by year. Among them, the R&D investment of computer, communication and other electronic equipment manufacturing and internet-related services both increased rapidly at a rate of more than 50%. In 2019, the preferential tax policy of increasing re-tax plus deduction ratio of research and development expenses promoted the enthusiasm of high-tech enterprises. According to the survey, 76.3 percent of respondents said the money saved...
from tax cuts and fee cuts would be used to increase R&D investment, and 30.1 percent said their R&D investment would increase by more than 10 percent.

2) Investment in R&D provides a driving force for scientific and technological innovation: The continuous increase of research and development investment will further accelerate the transformation of scientific and technological achievements. In 2019, a pharmaceutical company invested all of the nearly 50 million yuan in dividends from tax reduction and fee reduction into the research and development of new drugs and promoted scientific and technological innovation; a certain intelligent display equipment enterprise invested more than 500 million yuan in research and development, with a large amount of investment in research and development to promote the transformation, upgrading and innovative development of the electronic information industry.

D. Confidence in development is boosted and input in production increased

1) Tax cuts stabilize market expectations and boost confidence in development: Tax cuts and dividends further reduce the burden on enterprises and expand their profit margins. In addition, the tax authorities have strengthened tax payment services, fully implemented the systems of "integration of multiple certificates", "one-stop", "one-window" and coordinated handling, etc., creating convenient and smooth access channels for high-tech enterprises and inject a cordial for their development. According to the questionnaire, nearly 80 percent of the surveyed enterprises expressed confidence in production and operation within one year under the policy of tax and fee reduction.

2) Willingness to invest increases production input: The tax and fee reduction policy provides enterprises with relatively abundant cash flow in terms of increasing production equipment, introducing high-end talents, updating technology and improving technology through tax incentives such as reduction and reduction, low tax rate and accelerated depreciation, so as to foster their sustainable development. According to the survey, 62.7 percent of the companies surveyed said the money saved from tax and fee cuts would be used to expand reproduction, and 32.2 percent said it would be used to bring in talent. In 2019, the year-on-year growth of production equipment and technology purchased by information technology services and computer and electronic equipment manufacturing enterprises in the city exceeded 300% and 30%, respectively, and the year-on-year growth of R&D personnel exceeded 6%. For example, a science and technology co., ltd. used the extra funds saved by deducting tax rebates to increase human capital investment. The number of R&D personnel increased by more than 10% year on year.

E. Industrial intelligence should be integrated to accelerate transformation and upgrading

1) Tax cuts helped transform and upgrade traditional manufacturing industries such as automobiles, chemicals and electrical machinery: Tax and fee reduction promotes the innovation of new and high technology enterprises in traditional fields, implant smart factors, and accelerate the pace of transformation and upgrading. Tax reduction drives the transformation and upgrading of finished automobile products to green, intelligent, network-connected, lightweight and shared products. For example, an automobile company limited by shares has had hundreds of millions of yuan of tax cuts mostly invested in the transformation and upgrading of intelligent and automobiles. Another example is that an electrical appliance enterprise has invested all tax reduction into promoting the transformation and upgrading of electrical machinery and equipment products to intelligence, integration and systematization. Due to increased investment in science and technology, the cost has decreased by more than 20%.

2) Tax cuts facilitate the integrated development of high-tech enterprises' manufacturing and service industries: The operating revenue of an intelligent display enterprise increased by more than 16% and the R&D investment increased by more than 160%; the operating revenue of an artificial intelligence enterprise increased by more than 200% and the R&D investment increased by more than 300%; and the operating revenue of an advanced service enterprise increased by more than 160% and the R&D investment increased by nearly 300%. The characteristic big data intelligent industry platforms represented by the data economy industrial park in Liangjiang New District, Xiantao Data valley in Yubei District, China Smart Valley in Nan'an District and the Blockchain Industrial Innovation Base in Yuzhong District are taking shape. The integration of industrial intelligence promotes the rapid rise of local intelligent enterprises in Chongqing.

IV. PROBLEMS FACED BY THE DEVELOPMENT OF HIGH-TECH ENTERPRISES

A. The number of enterprises is small and the innovation intensity is not enough

1) The number of high-tech enterprises is small: In 2018, Chongqing had 2,468 high-tech enterprises, accounting for...
1. 4 percent of the country's total, ranking 21st in the country, four places behind in terms of GDP.

2) There is not enough intensity for innovation: The low level of R&D investment leads to insufficient innovation intensity. In 2018, the total R&D investment in the city was 41.02 billion yuan, and the intensity of R&D expenditure was only 2%, which was far behind Guangdong (13.7%), Jiangsu (12.7%), Beijing (9.5%) and other places, also lower than the national average of 2.2%.

B. Industry distribution is concentrated and development quality is not high

On the one hand, the industries of high-tech enterprises are mainly distributed in automobile manufacturing, software and information technology services, and general equipment manufacturing, accounting for more than one third of the total number of enterprises.

On the other, the development quality of high-tech enterprises is not high.

The profitability was poor, with a profit margin of only 51.5%. Small and medium-sized enterprises with small enterprise scale whose tax rates are less than 5 million yuan are in the majority, the number of which accounts for more than 80%, tax less than 20%, and the scale of losses more than 50%, not conducive to the innovation and development of small enterprises. Their market competitiveness is not strong. According to the survey, 66.1% of the surveyed enterprises believe that their bargaining power is weak, while 41.3% believe that the biggest pressure facing their business is the rapid increase in the prices of upstream products and services.

C. Tax benefits overlap and the sense of gain diminishes

1) Policy effects cannot be multiplied: Since Chongqing is in the west of China, enterprises there are subject to both the preferential tax policy for China Western Development and that for high-tech enterprises, both of which adopt the preferential tax rate of 15% corporate income tax. In addition, the identification of high-tech enterprises is more complicated than the policy of China Western Development, which is not conducive to attracting the investment of high-tech enterprises. The effects of "industrial" policies and "regional" policies are released out-of-sync and unevenly, weakening the driving force of enterprise innovation and development. According to the questionnaire, 55.9% of the respondents believe that a simpler and easier policy design will improve the effect of tax fee reduction policies.

2) Policy effects are likely to be offset: If the legal tax rate of 25% is applied to calculate the additional deduction for the R&D expenses of high-tech enterprises, the enterprise can deduct 187,500 yuan for the R&D expenses of 1 million yuan, while only 112,500 yuan at the preferential tax rate of 15%. Therefore, the preferential tax rate will affect its tax incentive effect and weaken the enterprise's sense of gain. According to the questionnaire, 71.2% of the respondents believe that the types of tax cuts they receive are more conducive to reducing their burden.

V. COUNTERMEASURES AND SUGGESTIONS TO PROMOTE THE DEVELOPMENT OF HIGH-TECH INDUSTRY

A. Intensifying the efforts to foster the majority, and improving the weak link of research and development

Small and medium-sized technology-based enterprises are the basis of cultivating high-tech enterprises. Chongqing is located in the western region, and its economic strength and development lag behind that of the eastern region. To promote the great development of high-tech enterprises, it is necessary to start from cultivating small and medium-sized science and technology enterprises, provide more policy support to them, and focus on cultivating small and medium-sized science and technology enterprises to become bigger, stronger and better. It is necessary to give full play to the role of government funds in being well-leveraged, increase spending on science and technology, encourage the whole society to increase investment in research and development, so as to ensure a substantial increase in spending on research and development, and strive to achieve a level of R&D spending that exceeds the national average.

B. Promoting industrial upgrading and raising the quality of innovation

It is important to improve the structure of government spending, focusing on the action plan of "innovation-driven development strategy led by the intelligence of big data", and provide more R&D funding support in areas such as smart manufacturing, smart cities, automobiles and motorcycles, and the transformation and upgrading of the electronic and information industries. Targeted at well-known universities, scientific research institutions, enterprises, scientists and teams from China and abroad that jointly build R&D institutions in Chongqing, special funds should be provided for R&D projects and R&D platforms to improve the level of innovative research in Chongqing. It is necessary to strengthen the follow-up supervision and assessment of high-tech enterprises, to avoid the emergence of unqualified enterprises that have obtained qualifications of high-tech enterprise, so that the real high-tech enterprise enterprises can get support, and at the same time improve the quality of enterprise development.

C. Optimizing policy design to highlight preferential attraction

It is important to continue to improve the accuracy and effectiveness of tax incentives. For enterprises that are in line with the preferential policies for the China Western Development and the tax incentives for high-tech enterprises, as well as those that enjoy the additional deduction of R&D expenses, it is suggested to give financial subsidies equivalent to the preferential policies, or expand the scope of tax policies. The policy of "industrial preference + regional preference" should be applied to high-tech enterprises in the western region. It is proposed to implement a preferential tax
rate of 9%, increase the proportion of additional deduction for R&D expenses of high-tech enterprises from 75% to 100%, and implement quarterly deduction to increase the investment attraction of high-quality high-tech enterprises.

VI. CONCLUSION

Innovation is the leading impetus for development and an essential support for constructing a modernized economy. The Report to the 19th National Congress of the CPC put forward the strategy of innovation-driven development. High-tech enterprises are an important carrier for innovation. In recent years, high-tech enterprises in Chongqing have been making reformation in the original field and innovation in new fields, and continued to grow stronger. In particular, the tax and fee reduction policies have further stimulated enterprises' enthusiasm for entrepreneurship and innovation. However, the existing problems and shortcomings, such as the small number of enterprises and insufficient innovation, the concentration of industry distribution and the low quality of development, the overlapping of tax incentives and enterprises' weakened sense of gain, still cannot be ignored. Therefore, in order to develop high-tech enterprises in Chongqing, it is necessary to strengthen the cultivation of the majority, make up for the shortcomings of R&D, promote industrial upgrading, improve the quality of innovation and optimize policy design, so as to highlight the preferential attraction.

REFERENCES

