

Need to modify: Title modification, similar to section 1.1, does not match the current situation of the impact of tax preferential policies on small-scale individual businesses.

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Abstract: This article conducts an in-depth analysis of the actual impact of small-scale individual businesses in China under the current tax preferential policies. By comparing the historical development and characteristics of tax preferential policies at home and abroad, this study reveals the unique business characteristics of small-scale individual operators in China and the current financial management and tax burden issues they face. This article further explores how tax incentives affect the operational efficiency of individual businesses and how these policies promote tax compliance behavior. The research results indicate that tax preferential policies have played a positive role in enhancing the economic vitality of small-scale individual businesses and optimizing tax structures. At the same time, it also points out the limitations of the current policy implementation process, providing empirical evidence for policy optimization.

Keywords: Tax preferential policies; Small scale individual businesses; Business efficiency; Tax compliance; Financial management; Policy Impact

I. Overview of Tax Preferential Policies

1. Comparison of Tax Preferential Policies in Various Countries

Tax preferential policies are an important policy formulated by various countries to promote economic development and support small-scale individual businesses. Each country has its own characteristics and priorities in formulating and implementing tax preferential policies. Below, a detailed analysis will be conducted by comparing the specific content and implementation effects of tax preferential policies in different countries.

Firstly, China's tax preferential policies are mainly reflected in the tax reduction and exemption for small-scale individual businesses. According to the People's Republic of China's Small and Micro Profit Enterprise Income Tax Preferential Policy, small and micro profit enterprises can calculate their taxable income based on 60% of their actual profits, with a tax rate of 20%, and can enjoy the policy of halving the collection of enterprise income tax. In addition, for individual industrial and commercial households and individual business owners, personal income tax shall be paid at a rate of 3% of actual profits, and a classified collection policy shall be implemented. The implementation of these tax preferential policies has effectively reduced the tax burden on small-scale individual businesses and promoted their business development.

Secondly, the tax incentives in the United States are mainly reflected in support for small-scale enterprise entrepreneurship and innovation. The US government has passed relevant laws such as the stimulus bill to provide tax breaks and loan support to small businesses, encouraging entrepreneurial investment and technological innovation. In addition, the United States has implemented a research and development tax credit policy to encourage enterprises to increase their research and development investment, promote technological innovation and industrial upgrading. The implementation of these tax preferential policies has effectively promoted the development of small-scale enterprises and promoted economic innovation and growth.

Then, Japan's tax incentives are mainly reflected in support for local enterprises and specific industries. The Japanese government implements differentiated tax policies for local enterprises and specific industries through relevant laws such as the Enterprise Tax Law, and adopts measures such as tax reduction and exemption to support local economic development and industrial upgrading. In addition, Japan has implemented slight tax incentives for individual business owners and family businesses, encouraging the development of individual and family businesses. The implementation of these tax incentives has effectively promoted the development of Japan's local economy and the growth of specific industries.

2. Development of China's tax preferential policies

China's tax preferential policies refer to tax exemptions, tax incentives, and other policies implemented for specific industries, enterprises, or tax categories. In China, the development of tax incentives has gone through multiple stages. Firstly, in 1994, China implemented the Provisional Regulations on Income Tax for Sino foreign Joint Ventures, providing preferential income tax policies for foreign-invested enterprises, marking the beginning stage of China's tax preferential policies. Secondly, with the deepening of China's economic system reform, the Small and Medium sized Enterprise Promotion Law was promulgated in 1997, providing more tax incentives for small and medium-sized enterprises and promoting their development. In addition, the Enterprise Income Tax Law and the Personal Income Tax Law, which were successively issued in 2008 and 2014, also provided a series of tax preferential policies for enterprises and individuals, further improving China's tax system. Then, in 2018, the Chinese government proposed a decision to reduce taxes and fees, abolished value-added tax rates in some industries, reduced the tax burden on enterprises, and provided more support for their development.

Finally, with the continuous development and growth of the Chinese economy, tax preferential policies are also constantly being improved and adjusted to adapt to changes in the economic situation.

II. Characteristics of small-scale individual operation

1. Business scale and nature

Small scale individual business owners refer to a type of business entity engaged in small-scale business activities among individual industrial and commercial households. Their business scale is generally small and the nature of their business is relatively single. The tax preferential policies have a significant impact on small-scale individual businesses, which is particularly evident in terms of business scale and nature.

In terms of business scale, small-scale individual businesses often exist in the form of individual businesses, with smaller personnel and relatively narrow business scope. Tax preferential policies can to some extent reduce their tax burden, promote the expansion of their business scale and scope. For example, implementing a value-added tax threshold policy for small-scale individual businesses can reduce their tax expenditures, improve their profitability, and encourage them to expand their business scale and scope.

In terms of business nature, small-scale individual businesses often engage in traditional industries or artisan style craft making businesses. Tax preferential policies can provide tax incentives for specific businesses they engage in, such as providing policy support for reducing or exempting corporate income tax on some products with high technological content or traditional craftsmanship characteristics. This can stimulate the production enthusiasm of small-scale individual businesses, improve their industrial competitiveness, and promote their business nature to shift towards high value-added and high-tech content.

In addition, tax preferential policies can also play a positive role in the innovative development of small-scale individual businesses. For example, implementing innovative corporate income tax preferential policies and providing tax preferential support to small-scale individual businesses in innovation activities such as technology and management can encourage them to increase investment in technology research and development, improve product quality and innovation capabilities, thereby promoting innovative development of their business nature and enhancing the overall competitiveness of the industry.

2. Financial management and tax burden issues

In small-scale individual businesses, financial management and tax burden issues have always been a topic of great concern. Firstly, for such business owners, due to their small business scale, they often lack professional financial personnel for management, resulting in difficulties and loopholes in financial management. Therefore, they often need to spend more time and energy dealing with accounting and tax affairs, which puts a certain burden on their business and development. Secondly, in terms of taxation, small-scale individual businesses also face a higher tax burden. Due to its small business scale and limited income level, it often cannot enjoy the same preferential policies as large enterprises in tax policies, resulting in relatively high tax costs. For these small-scale individual businesses, this undoubtedly increases the difficulty of operation and may even become an important factor in their inability to continue operating. In addition, there are certain shortcomings in the current tax preferential policies for small-scale individual businesses. Although relevant departments have introduced a series of tax preferential policies, there are still certain inconveniences and limitations in the specific operation and implementation. This has led to some small-scale individual businesses struggling to enjoy the real benefits brought by the policy, limiting their opportunities for further development.

We need to address this issue from multiple perspectives. Firstly, relevant departments can increase their support for small-scale individual businesses, simplify tax procedures and processes, improve the transparency and operability of tax preferential policies, further reduce their tax burden, and encourage them to operate and develop better.

III. Analysis of Impact Status

1. The impact of tax incentives on business efficiency

The impact of tax incentives on business efficiency is a concern for small-scale individual businesses. The implementation of tax preferential policies often has a positive impact on the operational status of enterprises. Firstly, tax preferential policies can reduce the tax burden on enterprises and improve operational efficiency. Secondly, tax preferential policies can motivate enterprises to increase investment, expand production scale, and thereby improve their profit level. In addition, tax preferential policies can also encourage enterprises to increase their efforts in technological transformation and innovative research and development, improving their competitiveness and profitability. Then, tax preferential policies can also promote enterprises to increase investment in employees, improve their welfare benefits, and thereby enhance their work enthusiasm and production efficiency. Finally, tax preferential policies can provide more funds for enterprises to expand their business scale, expand their markets, and improve their overall operational efficiency. In summary, the impact of tax incentives on small-scale individual businesses is multifaceted, and can provide positive promotion in terms of taxation, investment, technological innovation, employee benefits, and financial support, thereby improving the operational efficiency of enterprises.

2. The impact on tax compliance behavior

The tax preferential policies have had a positive impact on the tax compliance behavior of small-scale individual businesses to a certain extent. Firstly, the implementation of tax preferential policies has reduced the tax burden on individual businesses to a certain extent, lowered operating costs, and enhanced tax awareness. Secondly, tax preferential policies help regulate the business behavior of individual business

owners, encourage them to pay taxes in accordance with the law, and reduce the occurrence of tax evasion. In addition, tax preferential policies can also improve the survival and development space of individual businesses, enhancing their emphasis on tax compliance. Then, tax preferential policies can promote the legitimate operation of individual businesses, stimulate their entrepreneurial passion, and promote their active participation in economic development. Finally, in summary, tax preferential policies have had a positive impact on the tax compliance behavior of small-scale individual businesses, and have played a positive role in promoting economic development and social stability. Specifically, tax preferential policies have reduced the tax burden on small-scale individual businesses and increased their business enthusiasm. At the same time, tax preferential policies regulate business behavior, reduce tax evasion, and are conducive to the improvement of tax collection and management and the construction of social credit system. Therefore, tax preferential policies have a positive promoting effect on the tax compliance behavior of small-scale individual businesses.

IV. Conclusion

In this study, we conducted a comprehensive analysis and research on the impact of tax incentives on small-scale individual businesses. Through the collection and analysis of relevant data, we have drawn the following conclusions:

Firstly, the impact of tax incentives on small-scale individual businesses is positive. By reducing taxes and other preferential policies, small-scale individual businesses can reduce operating costs, increase profit margins, and promote their development and growth. Therefore, tax incentives have to some extent stimulated the development of small-scale individual businesses. Secondly, the impact of tax incentives on small-scale individual businesses still has certain limitations. Although tax incentives can reduce business burdens, for various reasons, some small-scale individual businesses have not fully enjoyed the benefits brought by these preferential policies. For example, lack of understanding of tax policies and cumbersome declaration processes have led to some small-scale individual businesses not enjoying the tax benefits they deserve. In addition, tax preferential policies have produced certain social benefits for small-scale individual businesses. Through tax reduction and preferential policies, the living environment of small-scale individual businesses has been improved, while also creating more employment opportunities for society and promoting local economic development. However, tax preferential policies still need to be further improved and adjusted. In response to the actual situation of small-scale individual businesses, government departments can make precise adjustments to tax preferential policies, improve the targeting and effectiveness of policies, and better promote the development of small-scale individual businesses. The impact of tax incentives on small-scale individual businesses is positive, but there are also certain shortcomings. The government and relevant departments should carefully analyze and monitor the implementation effect of tax preferential policies, continuously improve policies, ensure that their impact on small-scale individual businesses can be maximized, and provide more support and impetus for sustainable economic development.

In summary, the conclusions of this study provide some reference for relevant government departments and corporate decision-makers, hoping to provide some assistance in the formulation and adjustment of tax preferential policies. Meanwhile, in the future, we will continue to pay attention to the impact of tax incentives on small-scale individual businesses, and continuously conduct in-depth research to provide more support and suggestions for China's economic development and policy adjustments.

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