

Analysis and Innovative Strategies of Tax Preferential Policies to Promote the Sustainable Development of Small-Scale Individual Businesses

Tiantian Wang, Xinyu Yi, Ziyi Zhang*, Jingjing Xiang

Liaoning University of International Business and Economics, Dalian 116052, China

*Corresponding author: Ziyi Zhang, zhangsiqi4501@outlook.com

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Abstract: This study conducted an in-depth analysis of the current tax preferential policies for small-scale individual businesses and compared them with similar policies both domestically and internationally, aiming to reveal the advantages and disadvantages of the current system. After examining the impact of these tax preferential policies on the economic status of individual business owners and the broader social economy, this article proposes a set of innovative tax preferential strategies based on theoretical foundations. By developing these innovative strategies and clarifying their implementation paths, the aim is to promote the sustainable and healthy development of small-scale individual businesses, thereby fostering comprehensive socio-economic progress. The conclusion of this study not only summarizes policy recommendations with practical significance but also provides theoretical support for the optimization and innovation of future related systems.

Keywords: Small-scale individual operation; Tax incentives; Policy analysis; Economic effects; Innovation strategy

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1. Introduction

Under the current economic situation, small-scale individual businesses are facing many difficulties and challenges in market competition. To address this, the government promotes the sustainable development of small-scale individual businesses by implementing tax incentives. This article will examine the impact of tax preferential policies on small-scale individual businesses, analyze their current situation and existing problems, and propose corresponding innovative strategies. The aim is to provide reference and guidance for the sustainable development of small-scale individual businesses.

2. Current status of tax preferential policies

2.1. Comparison of domestic and international tax preferential policies

In China, the government has formulated a series of tax incentives for small-scale individual businesses. For

example, small and micro enterprises with an annual turnover within a certain range can enjoy policies such as exemption from value-added tax and income tax. Corresponding tax reduction and exemption policies have also been introduced for individual businesses and small-scale taxpayers to reduce their tax burden. Additionally, there are tax preferential policies for specific industries or regions. For instance, high-tech enterprises and businesses in the Western region are provided with specific tax incentives to encourage their development ^[1].

In foreign countries, various governments have also introduced tax incentives to support small-scale individual businesses. For example, the United States has established a comprehensive tax reduction policy for small businesses to encourage entrepreneurship and employment. Some European countries support small-scale businesses by reducing corporate income tax rates and increasing tax credits. Additionally, some developing countries promote their own economic development through tax reductions and subsidies.

Through a comparative analysis of domestic and international tax preferential policies, it can be observed that many countries attach great importance to supporting small-scale individual businesses, with several commonalities among their approaches. However, tax preferential policies in different countries also exhibit unique characteristics in specific operations, tailored to support their local economic conditions ^[2].

2.2. The current tax situation of small-scale individual businesses

Small-scale individual businesses include sole proprietorships, partnerships, cooperatives, and individual businesses. Tax incentives are crucial for their development, but there are currently several issues. These include a heavy tax burden, non-standardized law enforcement, a lack of transparency and fairness in policies, insufficient publicity and implementation, and a need for improved convenience.

While tax preferential policies are intended to address these problems, their implementation faces difficulties such as poor matching, insufficient timeliness, inadequate regulatory mechanisms, and low public participation. To overcome these challenges, innovative strategies are necessary. These strategies include strengthening publicity, regulation, and evaluation; improving connectivity and matching; establishing sound publicity and implementation mechanisms; and promoting social participation and supervision. These measures aim to promote the healthy development of small-scale individual businesses.

3. Analysis of the impact of tax preferential policies

3.1. Economic effects on individual business owners

Small-scale individual businesses are a vital component of China's economic development, playing an essential role in promoting employment, increasing tax revenue, and stimulating consumption. To promote the sustainable development of these businesses, the government has introduced various tax preferential policies aimed at reducing their operating burden and improving their competitiveness. This section will focus on analyzing the economic effects of tax incentives on individual businesses ^[3].

Firstly, the implementation of tax preferential policies can reduce the tax burden on individual businesses, lower operating costs, and provide them with more funds to expand production, improve product quality, and enhance service levels, thereby increasing economic benefits. Secondly, tax incentives can stimulate the entrepreneurial enthusiasm of individual business owners, encouraging more people to engage in entrepreneurship and innovation, and thereby promoting market competitiveness. Additionally, tax incentives can attract more investors and consumers, fostering market prosperity and economic development. Moreover, these policies can promote cooperation and sharing among small-scale individual businesses, facilitating industrial upgrading and structural adjustment, and contributing to higher-quality economic development ^[4].

As a result of tax preferential policies, the profitability of individual business owners has improved, and

their development opportunities have expanded. This benefits not only the business owners but also promotes overall economic growth. Finally, tax incentives can enhance the social responsibility and civic awareness of small-scale individual businesses, fostering their sustainable development.

3.2. Comprehensive impact on socio-economic development

The comprehensive impact of tax incentives on the social economy is multifaceted. Firstly, tax incentives can promote the development of small-scale individual businesses. In China, a considerable number of people choose to start their own businesses and engage in small-scale individual operations. Despite lacking financial and technical support, their development trend is very positive. Providing them with certain tax incentives would significantly boost their growth. Secondly, tax incentives can promote employment^[5]. The development of small-scale individual businesses requires hiring workers, which drives employment and reduces unemployment.

In addition, tax preferential policies can promote the coordinated development of related industries and drive economic prosperity. By implementing tax preferential policies for small-scale individual businesses, relevant industrial chains can be promoted, driving the development of related industries, increasing the income of related enterprises, and spurring growth in both urban and rural areas.

The direct impact on the socio-economic situation is positive. Tax preferential policies can increase the income of individual operators. By reducing tax burdens, these policies increase operators' incomes, stimulate their consumption ability, and help boost domestic demand^[6]. Furthermore, tax incentives can promote the optimization of the business environment by local governments. To attract more individual entrepreneurs, local governments may introduce more preferential policies, increase support, optimize the business environment, and enhance the overall competitiveness of their cities. Finally, tax preferential policies can promote the innovative development of related industries. Under the guidance of these policies, individual operators are more likely to invest in innovation and technological upgrades, thereby improving their core competitiveness and driving economic development.

4. Innovative strategies for tax incentives

4.1. Theoretical basis for strategy formulation

Tax preferential policies are crucial for the development of small-scale individual businesses. To better promote the innovation of these policies, it is essential to deeply explore the theoretical basis of strategy formulation. In the process of formulating tax preferential policies, theoretical foundations play a critical role^[7]. Firstly, it is necessary to clarify the goals of these policies, which forms the basis for strategy formulation. Secondly, theoretical support is needed to guide the specific content and implementation paths of these policies. Therefore, conducting in-depth analysis and research on the theoretical basis of strategy formulation is vital for developing innovative tax preferential policies.

The theoretical basis for strategy formulation includes macroeconomic theory. Macroeconomic theory can provide an important foundation for the formulation of tax preferential policies. Through an in-depth analysis of macroeconomic theory, we can better grasp the current economic situation and development trends, thereby providing strong support for policy formulation. Secondly, microeconomic theory needs to be considered. Microeconomic theory can help us better understand the internal operating mechanisms and development needs of small-scale individual businesses, providing theoretical support for formulating targeted tax preferential policies. Additionally, international experience and case studies should be considered. By studying and drawing on international experiences and cases, valuable lessons can be learned, providing reference and inspiration for

innovating China's tax preferential policies ^[8].

In addition to economic theory, legal and policy theories must also be considered. The implementation of tax preferential policies needs to comply with legal provisions and align with national policies. Therefore, a deep understanding and grasp of legal and policy theories are crucial. Sociological theories should also be considered in the strategy formulation process. Sociological theory can help us better understand the social status and development environment of small-scale individual businesses, providing a sociological basis for policy formulation ^[9].

4.2. Implementation pathways for innovative strategies

Innovative strategies are essential for the effective implementation of tax incentives. The implementation pathways require careful thought and exploration. The following discussion revolves around this topic.

Firstly, establishing a sound policy support system is crucial. Government departments can clarify the specific content and scope of tax preferential policies by formulating relevant policy documents and strengthening the interpretation and promotion of relevant laws and regulations. Additionally, enhancing the promotion and training of tax policies can improve the understanding and awareness of tax preferential policies among small-scale individual businesses, effectively guiding them to better enjoy policy benefits ^[10].

Secondly, exploring and promoting new tax support models is essential. By establishing a tax support fund, diversified support methods such as financial subsidies or long-term interest loans can be provided to eligible small-scale individual businesses, helping them reduce production and operating costs and promoting sustainable development. Additionally, establishing a linkage mechanism between tax preferential policies and other supportive policies can optimize resource allocation and maximize policy effectiveness.

Strengthening the supervision and evaluation of tax policies is also crucial. Government departments can establish a robust supervision mechanism to track and evaluate the implementation of tax preferential policies, promptly identifying and solving problems. Simultaneously, evaluating the effectiveness of tax preferential policies, continuously summarizing experiences, and improving policies are necessary ^[11]. Continuous supervision and evaluation ensure that tax incentives better serve small-scale individual businesses.

Government departments should actively guide and support the development of tax service institutions, enhancing the professional level of tax services, improving the convenience and efficiency of services, and providing more considerate and convenient tax services for small-scale individual businesses ^[12]. Exploring cooperation mechanisms between government departments, industry associations, and enterprises can also promote the innovation and improvement of tax policies, providing better policy support for small-scale individual businesses.

Finally, focusing on strengthening international cooperation and exchange is crucial. Learning from and drawing on the experiences and practices of other countries or regions in tax preferential policies, actively absorbing advanced international concepts, and continuously enriching and improving China's tax preferential policies can provide more policy choices and better support for the sustainable development of small-scale individual businesses ^[13].

5. Conclusion

This study conducted an in-depth analysis of tax preferential policies to promote the sustainable development of small-scale individual businesses and proposed innovative strategies. Through the study of relevant data and cases, the following conclusions were drawn:

Firstly, tax incentives are crucial for the development of small-scale individual businesses. By reducing

the tax burden, these policies can improve the profitability of enterprises, stimulate entrepreneurial enthusiasm, and promote economic development. Therefore, the government should continue to improve and adjust tax preferential policies to better support these businesses ^[14].

Secondly, innovation is key to promoting the sustainable development of tax preferential policies. In the current economic situation, the government and enterprises need to work together to explore new policies and measures to adapt to market changes and evolving demands. Continuous innovation ensures that tax-preferential policies better serve small-scale individual businesses.

Additionally, the implementation of tax preferential policies requires strong supervision and evaluation. Government departments should establish robust supervision mechanisms to ensure the effective implementation of these policies. Regularly evaluating the effectiveness of policies, adjusting, and improving them promptly is necessary to ensure optimal performance. Furthermore, small-scale individual businesses themselves need to strengthen self-management. Besides relying on government tax incentives, they should also focus on internal management and operations, improving their competitiveness and risk resistance ^[15]. Effective self-management enables businesses to better utilize tax incentives and achieve sustainable development.

Promoting the sustainable development of small-scale individual businesses through tax incentives requires joint efforts from the government, enterprises, and society. Continuous policy innovation, effective supervision, and the efforts of businesses themselves are essential to maximizing the benefits of tax preferential policies and promoting the sustainable and stable development of small-scale individual businesses. The research results of this article aim to provide reference and inspiration for relevant departments and enterprises, promoting the further improvement and implementation of tax preferential policies.

Disclosure statements

The authors declare no conflict of interest.

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