

SMEs to get benefit package soon

BY | FROM 上海证券报 | 2008-09-12 10:53

The Ministry of Finance will "soon" draft special rules requiring local governments to buy more products from small and medium-sized enterprises (SMEs).

Funding to SMEs will be increased significantly to help them cope with the tightened credit situation and falling global demands, the ministry said yesterday.

The ministry will earmark 3.51 billion yuan (\$512 million) worth of special funds to help the growth of SMEs, which will enjoy preferential tax policies, too. It, however, did not say when exactly the new government procurement rules would be announced.

Analysts said the new rules would change the prevailing situation in which governments shun SMEs to buy goods from big companies.

The country has about 40 million SMEs, including those run by individuals. They have become the national economy's most dynamic factor, accounting for about three-fourths of the urban labor force.

But because of last year's tightening monetary policy, aimed to rein in the runaway economy, it has become difficult for vulnerable SMEs to get bank loans.

Moreover, the demand for their products have fallen, thanks to the slowing of economic growth from 11.9 percent last year to 10.1 percent in the second half of this year.

And the drop in exports of their products, as a result of this year's gloomy global economy, has made things even worse.

The central treasury, too, has given financial help to enterprises facing multiple problems.

Of the 3.51-billion-yuan support package, 500 million yuan (\$73 million) will go into making SMEs acquire state-of-the-art technologies. This year's amount is 25 percent more than last year's.

A total of 200 million yuan (\$29.2 million) of the technology development fund will be used to subsidize institutions that guarantee the SMEs would get bank loans, the ministry said.

The SMEs' technological innovation fund will get 1.4 billion yuan (\$204.4 million), up 27.3 percent than last year.

The ministry will use 1.2 billion yuan (\$175.2 million), up 20 percent, to help the SMEs tap the international market by providing them information and helping them go through the often complicated global certification process.

The ministry imposes a 20 percent tax on SMEs with low profit levels, and has cut the tax rate for high-tech SMEs to 15 percent, according to the newly promulgated corporate tax law.

The government passed a unified corporate tax law for domestic and overseas companies in March, imposing a flat tax rate of 25 percent on them. Before that, domestic enterprises had to pay a 33

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The law stipulates that high-tech firms and small enterprises with marginal profits will enjoy preferential tax rates.(China Daily)

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