

China: New policy to shore up SMEs

China's State Council, the Cabinet, issued a document Tuesday to strengthen support for the development of the country's small- and medium-sized enterprises (SMEs).

The government will deepen reforms in the country's monopoly industries, lower the market access threshold for the SMEs and create a more open and fair competition environment for SMEs, said the document.

According to the document, the government will optimize its procurement mechanism, raising its purchase proportion of commodities, engineering and services from the SMEs.

The government will grant a one-year reprieve on social security fund to the SMEs in operational difficulty amid the global financial crisis, in a bid to reduce financial burdens and protect the interests of the SMEs.

It will expand channels for the SMEs to raise capital by encouraging banks to lend more money to the SMEs, stepping up policy making efforts to guide private capital to tap into the country's financial system.

The government will increase tax breaks to small firms with an annual taxable income below 30,000 yuan (\$4392.40) from January 1 to December 31 of 2010.

According to the document, the government will also encourage the SMEs to improve their technological innovation capacities, enhance product quality, and promote development in energy conservation and clean production.

In China, SMEs refer to enterprises where the number of staff is fewer than 2,000 and whose annual revenues are under 300 million yuan, or total assets under 400 million yuan.

The move followed a framework announced by the government in August to shore up the SMEs which are hit hard by the global economic downturn.

Source: Xinhua