

Study on the Promotion and Optimization of Tax Reduction and Fee Reduction Policies for Small and Medium-sized Food and Beverage Establishments -- Taking Beijing as an example

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Abstract: With the development of China's economy and the continuous improvement of people's living standards, people's demand for catering is increasing day by day and their requirements for its quality are constantly rising. The development of the catering industry has played a great role in employment and people's livelihood, but there are many problems in its development. Even in a normal year with an adequate clientele, the operation of catering outlets is not easy. The current economic downturn overlaid with the epidemic is a special situation, and the rising costs and tax burden will affect the profitability of catering outlets. In order to alleviate the pressure of small and medium-sized enterprises, the state has introduced a series of tax and fee reduction policies, how to make full use of these policies to tide over the difficulties? Many catering outlets are not allowed to do so and have difficulty in dovetailing with them, and are in dire need of detailed and professional help. This article firstly analyses the catering industry as a whole in recent years, demonstrating its important position and role in economic development; secondly, taking Beijing as an example, it compares the tax preferential policies related to catering outlets, using questionnaires and field interviews to understand the situation of catering outlets enjoying relevant tax preferences, and provides tax saving solutions for the operation of general catering outlets; finally, it analyses tax burdens and preferences in normal times, and provides tax saving solutions for small, medium and micro catering outlets to reduce their tax burden.

Keywords: catering, small and medium enterprises, tax reduction, tax incentives

1. Introduction

Major public health events often have a huge impact on the economy, and when faced with downward pressure on the economy, the government often adopts fiscal policies to iron out economic fluctuations. In the case of the SARS epidemic, for example, on the one hand, the negative impact of the epidemic on economic growth has been transmitted to the fiscal sector, resulting in a reduction in fiscal revenue; on the other hand, in response to the impact of the SARS epidemic, China has adopted various temporary tax incentives, which will also directly reduce our fiscal revenue. In the face of this onslaught of the New Coronary Pneumonia epidemic, many scholars in China have also put forward suggestions on tax reduction and fee reduction in this regard, and have also made analysis on the impact of the epidemic from various aspects. This paper takes policy collation as the basic reference, and uses data collection and analysis as the support to draw conclusions and suggestions on tax reduction and fee reduction policies for small and medium-sized enterprises during the New Coronary Pneumonia epidemic to check the gaps and fill in the gaps.

2. Development of the catering industry

2.1 Analysis of the development of the catering industry in recent years

In recent years, with the continuous growth of national income, the catering industry has developed vigorously. Under the background of the accelerated pace of people's lives, the transformation and innovation of the catering industry has increased the turnover of the catering industry year by year. According to data from the National Bureau of Statistics, in 2019, the revenue of catering companies nationwide reached 4672.1 billion yuan, an increase of 9.4% over 2018. The good growth momentum

shows that there is still great potential for the development of the catering industry. Moreover, the turnover growth of the catering industry is positively correlated with the gross domestic product (GDP) in recent years. The development of the catering industry has promoted tax revenue and economic growth. Therefore, the government should be aware of the benefits that the development of the catering industry has brought to the growth of taxation, pay more attention to it, and help the catering industry continue to glow with new vitality.

2.2 The impact of the outbreak on the restaurant industry

At the end of 2019, the new crown epidemic came out of nowhere, causing the catering industry to suffer an unprecedented blow, with many small and medium-sized catering outlets on the verge of closing down. According to the China Cuisine Association, during the epidemic, 78% of catering enterprises lost more than 100% of their business revenue, and only 5% lost less than 70% of their revenue. As we know from the National Bureau of Statistics, 15.5% of the national catering revenue in 2019 came from the Spring Festival period, while the outbreak of the epidemic during the Spring Festival in 2020 resulted in about 94% of the New Year's Eve dinner backorders, and the catering revenue was hit hard.

With the rapid spread of the epidemic, people's awareness of home isolation and self-protection gradually increased, and most consumers refused to dine out or even to order take-out, which seriously affected the development of the catering industry, resulting in 93% of catering companies closing their stores. Compared with the steady growth of catering revenue in 2019, the revenue of the catering industry in 2020 started to show negative growth from the spread of the epidemic in February, with the growth rate even close to -50% in the first three months. Later, after the epidemic was gradually controlled and the government's macro-control was somewhat alleviated, but until December, the catering revenue still showed a negative growth of -0.4%, so it can be seen that the epidemic brought a considerable blow to the catering industry.

3. Summary of tax incentives available in all aspects of restaurant operation

3.1 Rent cost

A large part of the cost of operating a restaurant comes from rent, especially in first-tier cities with high pressure on housing prices, such as Beijing. There are no general tax incentives for restaurant rentals, and after the New Crown epidemic, relevant departments have introduced a series of policies to help small and medium-sized enterprises, such as the Guidance on Further Helping Small and Micro Enterprises and Individual Entrepreneurs in the Service Industry to Alleviate Housing Rental Pressure in Response to the New Crown Pneumonia Epidemic, which was jointly issued by the National Development and Reform Commission and other eight departments in May 2020 to help small and micro enterprises and individual entrepreneurs in the service industry to alleviate housing rental pressure. In May, the government issued the "Guidance on Further Helping Small and Micro Enterprises and Individual Entrepreneurs in the Service Industry to Alleviate the Pressure of Housing Rent" to help small and micro enterprises and individual entrepreneurs in the service industry to alleviate the pressure of housing rent. The Beijing Municipal Government also introduced a number of measures in April, including the "Measures to Further Support Small and Medium-sized Enterprises in Coping with the Impact of the Epidemic and Maintaining Stable Development", after issuing the "16 Measures to Support Small and Medium-sized Enterprises" in February. The main parties involved in housing leasing and the enterprises share the losses caused by the epidemic reasonably, and the government departments increase the policy support, the financial institutions give support, and the enterprise merchants make full and reasonable use of the rent preferential policies in order to make the rent cost reduced to the minimum.

3.2 Labor Costs

One of the essential elements of a brick-and-mortar restaurant operation is labor, which usually includes: wages, various subsidies and benefits, staff meals, social insurance, pensions, retirement benefits, etc. As the level of social development continues to increase, labor costs are also increasing. Government departments have introduced many tax incentives for personnel costs, and a reasonable judgment of whether they apply to their own enterprises can reduce some of the costs.

3.3 Cost of raw materials

When choosing suppliers for catering companies, comprehensive consideration is needed, including price, quality, and whether input tax invoices can be deducted. If you are a small-scale taxpayer, you can choose a supplier with small-scale taxpayer status under the same conditions, and the VAT to be transferred will be lower. If they are general taxpayers, since small-scale taxpayers are currently unable to issue special invoices independently, which makes it difficult for catering enterprises to offset the input, they will give priority to suppliers with general taxpayer status under the same conditions. In addition, there are also many catering industry raw materials mostly purchased from the market, which are difficult to obtain formal tax invoices and cannot be deducted as costs. From the taxation point of view, it is suggested that the catering industry should try to purchase raw materials in supermarkets and chain stores to obtain deductible purchase invoices and increase cost expenses in order to reduce corporate income tax.

3.4 Cost of fixed assets

Fixed assets of a restaurant include refrigerators, air conditioners, etc. Restaurant owners can choose the depreciation and amortization method carefully and deliberately according to their own restaurant situation. Although the total amount of income tax paid is the same over the useful life, the upfront tax burden is reduced by deferring tax time, as well as saving the time cost of capital.

4. The importance of tax incentives for small, medium and micro restaurants

The catering industry plays an important role in social development, which can promote residents' consumption, increase fiscal revenue, and promote Chinese food culture. A physical catering store involves various costs, taxes and fees, from opening a store location to determining business categories, recruiting personnel, and then to normal operations, and operating financial pressure is high. Especially since the end of 2019, the pneumonia epidemic caused by the new coronavirus has had a huge impact on the catering industry, and the catering industry is facing many challenges such as rising raw material costs and loss of personnel. In order to encourage the development of key enterprises such as small and micro enterprises, the state has introduced many preferential tax policies in taxation to help enterprises develop. However, the current problem is that tax-related policies may involve professional knowledge. Generally, restaurant operators do not have a comprehensive understanding of tax incentives. Often, their stores meet the conditions of tax incentives, but they miss out on opportunities for reductions and exemptions because they fail to declare in time.

Table 1: Statistics on the classification standard of large, medium, small and micro enterprises

Industry	Index	Unit	Large	Medium	Small	Micro
Catering	Practitioners(X)	person	$X \geq 300$	$100 \leq X < 300$	$10 \leq X < 100$	$X < 10$
	Operating income(Y)	million yuan	$Y \geq 10000$	$2000 \leq Y < 10000$	$100 \leq Y < 2000$	$Y < 100$

According to the classification standard of large, medium, small and micro enterprises, it can be seen from Figure 1 that the average annual number of employees of a large proportion of catering enterprises is below 100, a few catering enterprises have more than 100 but less than 200, and a very few enterprises have more than 200 employees on average. In addition, Figure 2 shows that the average revenue of the majority of enterprises is below 20 million yuan, a small number of enterprises exceed 20 million yuan and are below 10 million yuan, and a very small number of enterprises exceed 10 million yuan. This data only counts the catering enterprises above the limit, but their average situation still clearly shows that most of them are in the small or micro standard.

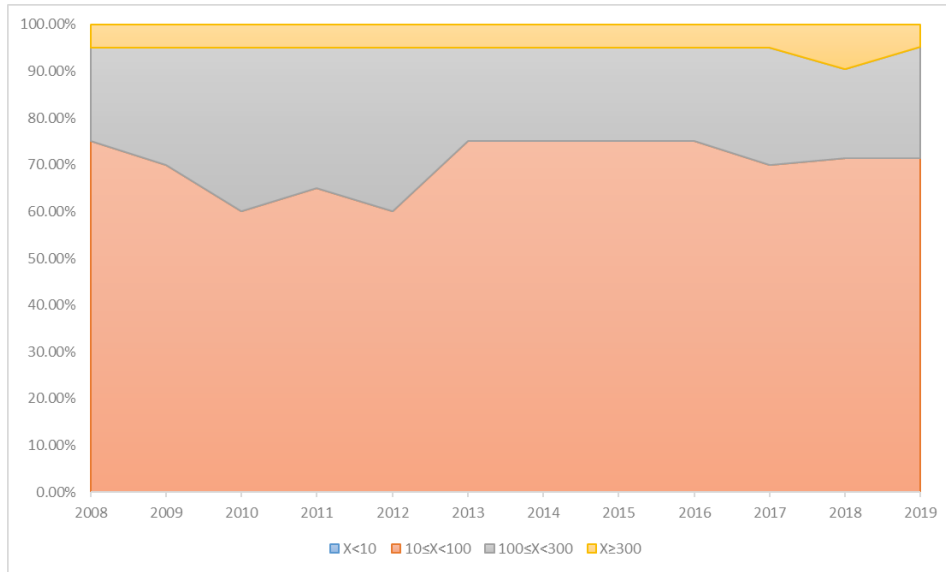


Figure 1: Distribution of average number of employees in catering enterprises above designated size at the end of the year

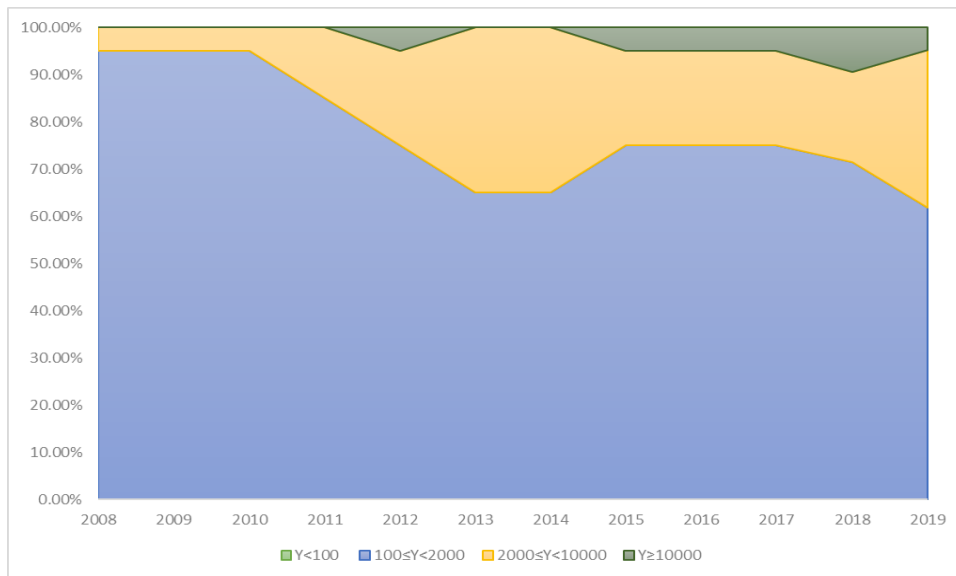


Figure 2: Distribution of the average meal revenue of catering enterprises above the limit

It can be seen that small and medium-sized restaurants dominate the catering industry enterprises. Helping small and medium-sized restaurants to develop and grow and improve their revenue-generating capacity is of great significance to increase the tax base and tax revenue. Through the support of national policies for MSME restaurants, they can feel the importance of national policy support for their own development while ensuring their income increase, so that MSME restaurants have greater motivation to pay taxes and improve tax compliance.

5. Conclusion

Most of China's restaurants belong to small, medium and micro enterprises and individual industrial and commercial households, and such taxpayers are the key targets of China's tax reduction and fee reduction, so tax preferential policies have been formulated accordingly. Take Beijing as an example, such enterprise restaurants can interpret the policies in detail and apply them reasonably according to their actual situation in terms of financing sources, rent costs, labor costs, raw material costs, various tax costs including VAT and income tax, depreciation costs of fixed assets, other costs, etc., in order to reduce costs and expenses. For restaurants that are affected by the epidemic and have incurred losses, they can make use of the various tax relief policies during the epidemic to reduce their operating costs to make up

for the losses.

If more small restaurants can reasonably and fully utilize the various preferential tax policies issued by the government, it can reduce costs and increase operating profits, which can promote the continuous expansion of the scale of restaurants and form a large-scale with stronger anti-risk ability. Enterprises, thus becoming a more reliable source of national tax revenue, benefit both the enterprise itself and the national tax collection.

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