

Policies to boost industrial economy

New guideline promotes tax and fee cuts, financing support for related businesses

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A newly issued guideline on bolstering the industrial economy is expected to help shore up growth of the sector, which has faced continuous challenges due to the COVID-19 epidemic, and policy support is likely to forge healthier, more sustainable development in the field, experts said.

On Feb 18, the National Development and Reform Commission, together with a number of other departments, issued a guideline centered on supporting the steady growth of the industrial economy. The new document encompasses a raft of measures including tax breaks, more support for financing and stronger efforts in the construction and renovation of industrial infrastructure and facilities.

The importance of the industrial economy was noted during an executive meeting held by the State Council, China's Cabinet, on Feb 15. The meeting was chaired by Premier Li Keqiang.

It underscored the critical roles that the industrial and services sectors play in overall economic development and employment stability. It was also noted that the industrial economy has not fully recovered since the epidemic and is in need of policy support, according to a statement released after the gathering.

According to the guideline, the Chinese economy is dealing with the threefold pressure of contracting demand, a supply slump and weakening market expectations, while efforts to maintain growth in the industrial sector are becoming increasingly challenging. The aim of the document is to fine tune policies in a timely manner using a cross-cyclical approach — taking action sooner, in smaller steps and with a long time frame in mind — to ensure that major indicators of the industrial economy function properly.

Experts said they believe the newly issued measures will offer timely assistance to the sector, which continues to grapple with a variety of problems, including supply and production chain disruptions and rising commodity costs.

“Two facts are important when looking at industrial economic development in China,” said Fu Baozong, a professor at the Academy of Macroeconomic Research at the NDRC. “China has not fully accomplished its process of industrialization, and therefore, the role of industrial growth remains quite important. At the same time, in advancing economic transition, the country is aiming for high-quality growth. This has led to new requirements for industrial renovation projects.”

He added that since the epidemic, constraints on industrial economic growth have become prominent. The unstable supply chain and commodity price surges have increased production costs for industrial businesses. On the other hand, the extensive development models that many of these businesses formed when they started decades ago have made their transition to high quality development more complicated.

The new guideline has confirmed a number of favorable policies for businesses in the industrial sector.



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Income tax relief will be extended to companies in the industrial and services sectors. This year, micro, small and medium-sized enterprises, or MSMEs, that purchase new equipment worth more than 5 mil-

lion yuan (\$792,120) with a three-year depreciation period are entitled to a one-off deduction of total purchase costs from taxable income. For those with equipment depreciation periods of four, five or 10 years, they are eligible for a 50 percent deduction.

Tax deferral policies will also be extended for MSMEs in the manufacturing sector. The coverage of the policy to reduce or waive education fees and six local taxes — resource, urban maintenance and construction, real estate, urban land use, stamp and taxes on farmland used for nonagricultural purposes — will be expanded to include all small, low-profit businesses and self-employed households.

In addition, stronger financing support will be put in place. The People's Bank of China, China's central bank, will provide funding to support an increase in inclusive

loan offerings to micro and small businesses. Efforts will also be made to facilitate more medium and long-term loan offerings to manufacturers in an effort to bring down overall financing costs.

Wei Qijia, a researcher at Economic Forecasting Department at the State Information Center, said these measures are quite important.

“Currently, compounded with new downward pressures in the economy, market sentiment among large, medium and smaller businesses is diverging from expectations of the small business community remaining weak,” he said. “However, micro and small businesses are major job creators. They are also important in keeping the growth of the industrial economy stable, and they are critical in industrial supply chains.”

Therefore, the tax breaks and financial support outlined in the policy will

benefit those smaller companies.

“Such measures will effectively ease their liquidity burdens,” he said.

The new document has also made clear that industrial and supply chains in the manufacturing sector will be strengthened and weak links reinforced, and a reconstruction of the national industrial foundation will proceed.

Wei believes that facility building is important as some of the challenges that China's industrial growth is facing will have to be tackled through physical and technological upgrades.

“Some bottleneck points in the industrial and supply chains are still obvious, and the catalyzing effect of new economic driving forces still needs to be strengthened, while the international competitiveness of enterprises needs to be improved,” he added.

Hefei company benefiting from local government's measures

By ZHANG YUE and ZHU LIXIN

Industrial experts said that while there are many ways to alleviate the difficulties facing businesses, financial support as well as tax and fee cuts have always been the most direct and effective means, particularly for those involved in the industrial economy and, more specifically, in the manufacturing sector.

Wei Qijia, a researcher at Economic Forecasting Department at the State Information Center, said

tax and fee cuts usually directly improve investors' market sentiment toward small businesses. More importantly, such cuts help maintain the liquidity flow of medium-sized, small and micro businesses, allowing them to funnel more cash into production.

Over the past five years, the central government has been working on a variety of tax breaks for small businesses, and some are already feeling the gains.

Li Xinli, president of Anhui province-based Hefei Hrgly

Intelligent Equipment, which produces intelligent packing equipment for pharmaceutical factories, said that his company's market share and scale has increased since 2017.

Its growth can largely be attributed to conducive policies, particularly to well-calibrated tax breaks and financing from the Hefei government.

The company relocated its headquarters from Shanghai to the Hefei Economic and Technological Development Zone in 2017, and

has since grown in size from around 40 employees to 210.

“We've greatly benefited from the local government's policies to reduce taxes and fees, which helped attract talent and fostered connections between banks and enterprises,” Li said. “Last year, the tax deferral payment policies targeting manufacturers helped solve the acute liquidity pressure we were facing at that moment.”

Li also lauded the financing his company has received thanks to Hefei government's policies.

“The local government has been encouraging financial institutions to offer more loans to high-tech and manufacturing businesses. As both a high-tech company and a manufacturer, we have experienced pressure securing loans,” he said. “Since the government has decided to pay half the interest, loans have become more accessible and affordable. All these measures have contributed greatly to our expansion in recent years.”

Still, Li admits, recruiting talent remains an issue, as the number of

Policy Digest

Alterations to homes to improve seniors' lives

During the 14th Five-Year Plan (2021-25) period, China plans to alter the interiors of 2 million homes for seniors who are at an advanced age, are unable to care for themselves or who have disabilities.

According to a notice issued on Thursday by Chinese authorities, including the Ministry of Civil Affairs, the move is part of efforts to improve safety and convenience for older adults living at home to promote home-based elder care services.

China has 264 million people aged 60 and up, accounting for 18.7 percent of its 1.4 billion population, according to the seventh population census conducted in 2020. The senior population is expected to surpass 300 million during the 14th Five-Year Plan period.

The alterations will facilitate indoor movement, safe toilet and bath access, and introduce easy-to-use kitchens, assistive devices and other home improvements.

While civil affairs authorities are taking the lead in implementing the plan, financial authorities are instructed to provide funding for the alterations and supervise spending.

The notice added that regions are encouraged to carry out the alterations simultaneously with renovation of aging urban residential communities and dilapidated houses in rural areas.

Campaign targets sales of e-cigarettes to youth



The Ministry of Public Security and three other departments have jointly launched a campaign to crack down on the sale of electronic cigarettes to children and other related crimes, according to a working plan published on Feb 22.

The move aims to protect the physical and psychological health of minors.

The campaign, which runs through April, includes a series of tough measures including closing e-cigarette sales outlets and vending machines around schools, deleting harmful information about the sale of such products online and cracking down on unlicensed vendors.

Authorities have mandated a sweep of e-cigarette sales outlets around schools and spot checks at places frequented by minors, such as amusement parks, to see whether e-cigarettes are being illegally sold.

In addition, people involved in adding drugs to e-cigarette liquids will be severely punished, and thorough investigations will be made to uncover the source of such crimes.

The plan also said that primary and secondary schools must explain the harm e-cigarettes can cause during safety education courses to help raise student awareness.

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people willing to work in manufacturing is declining.

Wei, the researcher from the State Information Center, confirmed that in recent years, the manufacturing sector has been grappling with a significant loss of technical talent, further exacerbating labor shortage problems.

“The key to invigorating the industrial economy and promoting high-quality development is to concentrate on key issues facing China's domestic industrial growth,” he said. “It is important to firmly grasp the characteristics of current industrial development to truly promote the steady improvement of the sector.”