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## TAX REFORMS BOLSTER SMALL BUSINESS GROWTH IN MAINLAND CHINA IN 2019

**9 April 2019**

China's small businesses are cautiously optimistic amid anticipated global economic downtrend in 2019, according to a survey conducted by CPA Australia, one of the world's largest accounting bodies.

The findings from CPA Australia's 10<sup>th</sup> annual *Asia-Pacific Small Business Survey*, follow extensive surveying of more than 3600 small business operators in ten markets, including Australia, Mainland China, Indonesia, Malaysia and the Philippines.

Over 70 per cent of small businesses from China expect to grow in 2019 and over 50 per cent of the businesses expect to increase their workforce this year. With global economic uncertainty and slowing global growth, this result reflects positively on the capabilities and resilience of China's small business sector.

Derek Chan, President of CPA Australia North China Committee says that conditions for small businesses were slightly weaker across the Asia-Pacific in 2018.

"Overall, 2 per cent fewer respondents reported that they grew in 2018 than 2017. For Mainland China, the result bettered the survey average, with 74 per cent of Mainland China's small businesses stating that they grew in 2018 compared to the survey average of 66 per cent.

"The positive small business conditions look set to continue into 2019, with 71 per cent of small businesses from Mainland China expecting to grow, however expectations are down from 2018, when 78 per cent expected to grow.

"Global trade tensions appear to be the primary reason for a general weakening in confidence. The survey average for the Asia-Pacific shows that small businesses are more likely to expect that trade tensions will have a negative impact on their business than a positive impact.

"However, there are many positives to take from the survey results. For example, small business confidence is the strongest in the Philippines, Vietnam, and Indonesia. With fast growing local economies, it is not surprising that small business confidence in those markets is relatively higher. There are many opportunities for small businesses in mainland China to diversify their markets and reduce their risks by collaborating with these emerging markets along the Belt and Road, where there is growing interest in developing innovation-driven and knowledge-based economies.

"Another positive factor is the digital capability and innovative culture of Mainland China's small business sector, with the survey showing that there is a solid link between development of digital tools and strong

business growth. Driven by the government's innovation development strategy, small businesses in mainland China are more motivated to innovate than their counterparts in other surveyed markets. More than 30 per cent of small businesses from Mainland China found that the introduction of a new product or service is a key driver of their growth."

In addition, China has introduced a series of tax reforms since 2018 and a further reduction in taxes and other levies will be implemented in 2019 in order to encourage further small business growth.

Kevin Ng, member of CPA Australia North China Committee, highlights the importance of tax reforms to small businesses in mainland China.

"Increasing costs are one of the most significant barriers to small business in Mainland China, with more than 33 per cent of businesses identifying it as the key challenge for them in 2018. We believe the government's further tax cut, together with other measures that will be implemented this year, will help to reduce their cost burden and sharpen their competitiveness in the region. This will stimulate the growth of the broader business sector. The deeper VAT reforms commencing on April 1, will further relieve the pressure on small businesses and boost economic activity," Mr Ng says.

The survey also found that among ten surveyed markets in the Asia-Pacific, Mainland China's small businesses expect easy access to finance in 2019, with 34 per cent of businesses expecting that access to finance will be "easy" or "very easy". This percentage is higher than the Asia-Pacific average of 23 per cent.

"The recent announcements in the "Two Sessions" on increasing the availability of finance for small businesses is timely and will further improve small business access the financing they need to support growth and make further investments in technology.

"In addition, considering the high proportion of small businesses from mainland China that sell online and utilise other digital technologies, there are opportunities for reputable financial institutions to apply FinTech and big data analysis to make it easier for small business to access finance," Mr Chan stated.

"Along with the global trend towards improving tax compliance and information exchange, we suggest that small businesses seeking finance undertake a strategic review of their books and records, including their tax returns, which may help build their creditworthiness," Mr Ng says.

CPA Australia has six tips for China's small businesses in 2019:

- look for government incentives that are supportive of innovation
- seek advice on which technologies are best suited for your business before investing in those technologies
- use big data analytics to analyze your customers in order to further improve customer satisfaction

- explore opportunities in Xiong An New Area, emerging economies on the Belt and Road, and other fast-growing markets in the Asia-Pacific region and Africa
- invest in improving strategic and managerial skills
- undertake a strategic review of your cost structure and potential business risks.

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## About CPA Australia

CPA Australia is one of the world's largest accounting bodies with more than 163,000 members working in 125 countries and regions around the world, and with more than 25,000 members working in senior leadership positions. It has established a strong membership base of more than 18,000 in the Greater China region.

## About CPA Australia Asia-Pacific Small Business Survey

The *CPA Australia Asia-Pacific Small Business Survey* provides annual insights into the views of small businesses across the region and forms part of a longitudinal study that began in 2009. The 10<sup>th</sup> CPA Australia annual survey comprised extensive surveying of 3607 small business operators in ten markets, including Hong Kong, Mainland China (Beijing, Guangzhou, Shanghai, Shenzhen and Chongqing), Taiwan, Malaysia, Vietnam, Indonesia, Singapore, the Philippines, Australia and New Zealand.

## Market summary – Mainland China

<https://www.cpaaustralia.com.au/~media/corporate/allfiles/document/professional-resources/business-management/small-business-survey/small-business-survey-2018-market-summary-mainland-china.pdf?la=en>

## Asia-Pacific Small Business Survey

<https://www.cpaaustralia.com.au/~media/corporate/allfiles/document/professional-resources/business-management/small-business-survey/small-business-survey-2018.pdf?la=en>

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