

# Analysis of Financial and Tax Policies for Optimizing College Students' Entrepreneurship

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**Keywords:** College entrepreneurship, Tax incentives, Fiscal policy

**Abstract:** Affected by the new crown epidemic, China's economic development in the first quarter of 2020 was significantly impacted, and many companies faced difficulties in development, reducing the setting of recruitment positions for college graduates. For this particular group of fresh graduates this year, their studies and jobs have been greatly affected. Therefore, the introduction of more comprehensive and systematic fiscal and preferential tax policies to encourage college students to start their businesses, thereby effectively driving employment, is the current and future development direction. Based on the impact of the new crown epidemic on the employment of college graduates, this article draws out the scientificity, rationality, and necessity of college students' self-employment. It analyzes the existing preferential policies and existing problems to support college students' entrepreneurship. Based on the theory, it further proposes the perfect direction and policy suggestions of fiscal and taxation policies.

## 1. Introduction

Since the outbreak of the New Crown epidemic, the Party Central Committee and the State Council have attached great importance to and concerned about the employment situation of college graduates. General Secretary Xi Jinping has issued a series of essential instructions, requiring multiple measures to do an excellent job of employment of college graduates and other groups. The number of college graduates in China has increased year by year. This year, the number of ordinary college graduates nationwide was 8.74 million, an increase of 400,000 over the previous year, and suffered from the new crown pneumonia epidemic, which further intensified the contradiction between fewer jobs and more recent graduates, and the employment situation. More severe. In this context, encouraging college students to start their own businesses and driving employment with entrepreneurship can not only effectively solve the graduation destination of college graduates, attract more innovative talents for independent employment, but also promote the development of science and technology innovative enterprises created by college student groups. Inject fresh vitality into the new round of industrial transformation and upgrading in China.

## 2. Theoretical basis and model

### 1. Entrepreneurial supply and demand theory

Entrepreneurship supply means that the state has introduced relevant policies to encourage entrepreneurship to promote mass entrepreneurship and innovation. The need for entrepreneurship means that potential entrepreneurial groups use science and technology to engage in innovation and entrepreneurship projects for reasons such as demand and benefits. Factors such as policy intensity, level of science and technology, awareness of innovation and entrepreneurship, places, and capital for entrepreneurship. The entrepreneurial supply and entrepreneurial demand interact and influence each other, and the output effect of college students' entrepreneurial activities is closely related to it. This paper uses fiscal and taxation policy tools from the perspective of entrepreneurial supply to improve the entrepreneurial entrepreneurship in order to solve many problems in the factors affecting entrepreneurial demand. Budgetary and taxation policies.

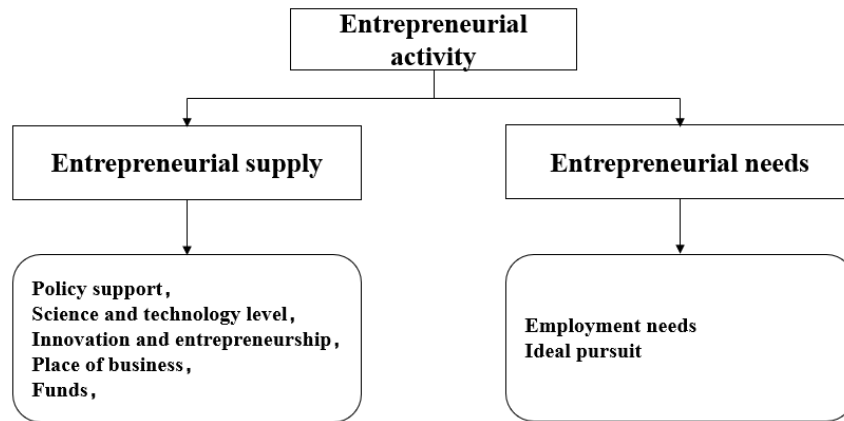


Figure 1. The theoretical model of entrepreneurial supply and entrepreneurial demand

## 2. Policy tool theory

The basis of the policy tool theory is the policy framework structure. Through a reasonable combination of policy tools, a policy framework system is constructed. The policy tool theory is the theoretical basis for the government to formulate a consistent and scientific incentive policy. The rational use of policy tools can effectively play the role of market regulation. There are many types of policy tools. This paper mainly uses financial, and taxation tools to propose specific policy optimization suggestions for the government to support entrepreneurial activities, and further optimize the preferential fiscal and tax policies for promoting entrepreneurial activities of college students.

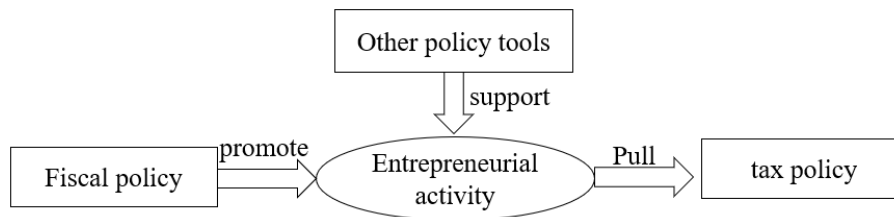


Figure 2. The theoretical model of policy tools

## 3. Review of the Fiscal and Tax Policies for Promoting College Students' Entrepreneurship

### 3.1 Tax policy

#### 1. Tax deduction

University graduates who set up new enterprises or business units in various industries will be granted corporate income tax reduction for one to three years after approval by the tax bureau. (Note: The following specific policies are summarized in Table 1)

#### 2. Tax credit

For college graduates who have issued Employment Entrepreneurship Certificates by the social organization department, who set up individual industrial and commercial households and sole proprietorship enterprises within the graduation year, they will deduct the actual tax payable in that year in accordance with the limit of 8,000 yuan per household per year.

#### 3. Reduce tax rates

High-tech enterprises that start a business and enterprises that meet the requirements of small and small profit enterprises are subject to corporate income tax at a low tax rate.

#### 4. Tax return

Graduates of colleges and universities who establish small and micro enterprises can enjoy the financial subsidy policy of paying corporate income tax and value-added tax within 3 years from the date of industrial and commercial registration.

### 3.2 Fiscal policy

#### 1. Fee reduction

College graduates are self-employed and are exempt from administrative and administrative charges.

#### 2. Special subsidy

It mainly includes projects such as entrepreneurship training, operating site rent, entrepreneurial employment, one-time construction of entrepreneurial parks, and job subsidies for absorbing employment difficulties.

#### 3. Provide secured loans and discount

Financial institutions are encouraged to refer to the basic interest rate and risk-sharing situation of the loan, reasonably determine the level of the loan interest rate, and provide financial institutions with discounted interest on entrepreneurial guarantee loans.

(Note: The policy arrangement comes from the "Outline of the National Medium- and Long-term Scientific and Technological Development Plan (2006-2020)", "Notice of the Ministry of Finance, the State Administration of Taxation, the Ministry of Science and Technology, and the Ministry of Education's Notice on Tax Policies for Science and Technology Enterprise Incubator University Science Parks and Public Creation Space" 2018] No. 120), "Notice of the Ministry of Finance, the State Administration of Taxation, and the Ministry of Human Resources and Social Security on Further Implementing the Tax Policies for the Startup and Employment of Key Groups" (Caishui [2018] No. 136) and Others on Venture Investment Enterprises, Individual Partnerships, Small and Medium-sized Profits Taxation policies for businesses, etc.)

Table 1. Summary of fiscal and tax policies that have been introduced to encourage college students to start businesses

tax policy	tax deduction	Consulting industry, information industry, technical service industry	Exempt from corporate income tax for two years
		Transportation, Post and Telecommunications	Exempt corporate income tax in the first year and halve corporate income tax in the second year
		Utilities, commerce, materials, foreign trade, tourism, logistics, warehousing, residential services, catering, education and culture, health	Exempt from corporate income tax for one year
		Agriculture, forestry, animal husbandry and fishery	Exempt or halve corporate income tax
		Set up software companies and integrated circuit companies	From the profitable year, corporate income tax is exempted for 1 to 2 years, and corporate income tax is halved for 3 to 5 years
	Tax credit	Establish individual industrial and commercial households, sole proprietorships	Within 3 years, each household will deduct the value-added tax, urban maintenance and construction tax, education surcharge, and personal income tax that are actually payable in that year at the limit of 8,000 yuan per year.
	Reduce tax rates	high-tech enterprises	Corporate income tax at 15%
		Meet the requirements of small and small profit enterprises	20% corporate income tax
	tax return	Small and micro enterprises	100% provincial income tax and value added tax, 50% city and county retention
	Fiscal policy	Fee reduction	Self-employed
Special subsidy		Startup training subsidies	The standard does not exceed 5000 yuan per person
		Operating site rent subsidy	Subsidy not exceeding 2,000 yuan per year, up to 3 years
		Startup employment subsidy	The standard does not exceed 1,000 yuan per person
		One-time Construction Subsidy for Venture Park	One-time construction subsidy of not more than 5,000 yuan per household
		Job subsidies for people with employment difficulties	Enjoy 300 yuan post subsidy per person per month
Provide secured loans and discount		Individuals apply for small discount loans	The maximum loan amount does not exceed 100,000 yuan, and the loan term is 2 years
		Partnership application for small discount loans	The maximum loan amount does not exceed 150,000 yuan, and the loan term is 2 years
		Those who have successfully started a business and have employed more than 5 people and have stable operations	Loan support up to 500,000 yuan
		Financial institutions issue entrepreneurial guaranteed loans to individuals with reference to the basic interest rate	If the loan base interest rate rises within 3 percentage points, the government will give a discount

## **4. Problems in the current budgetary and taxation policies to promote college students' entrepreneurship**

### **4.1 Problems from a global perspective**

1. The procedure is not systematic and standardized, and a systematic legal policy system has not been formed.

Compared with European and American countries, China's fiscal and preferential tax policies to promote college students' entrepreneurship are relatively late, and their support for college students' entrepreneurial activities is insufficient. Most of the policies issued are in the form of "notifications", "management regulations," "implementation measures," Has not yet risen to the right level, the legal effect is low. Lack of overall planning and forward-looking design. At present, most preferential policies have the characteristics of emergency and fragmentation and have not formed a long-term effective and perfect support system.

2. The time limit of fiscal and tax preferential policies is too short of supporting the entire process of entrepreneurship.

Entrepreneurial activities have the characteristics of long cycles and significant investments. It takes a period of germination, development, and maturity to grow into a mature entrepreneurial enterprise, and college students often start their businesses for the first time due to immature projects, limited funds, lack of proper management, and lack of entrepreneurial guidance. And other factors, they fell into the bottleneck of development during the germination stage and development stage of the business. After accumulating experience, they continued to go deep into entrepreneurship. Still, they lacked the strength due to the time limit of preferential policies and lacked development momentum and long-term policy support.

3. The inclusiveness of systems is difficult to meet the differentiated and distinctive needs of innovative projects.

At present, China's preferential policies for entrepreneurship of college students are too simple. From the perspective of the entire policy system, there are no significant differences and distinctive features from the preferential policies of other entrepreneurial groups. It does not reflect the active participation of college students, a knowledge group with higher education, innovation, and entrepreneurship. Special support, policy characteristics with inclusiveness as the main fundamentals are difficult to meet the special requirements of college students' entrepreneurship. Failure to classify entrepreneurial projects and apply uniform preferential policies is not conducive to motivating high-risk, high-tech, innovative opportunity companies to seek higher levels of development.

4. Preferential policies in guiding entrepreneurship education are still lacking and the coverage is narrow.

The current policy lacks support for entrepreneurship education for college students, especially the lack of tax incentives for individuals and organizations used to cultivate college students' innovation and entrepreneurship education and practice, and it is difficult to motivate more individuals or institutions to engage in entrepreneurship education. The current policy is more inclined to support high-tech startups, and insufficient support for other general startups in the manufacturing, agriculture, some service industries, post and telecommunications industries. Many entrepreneurial teams will choose targeted industries with preferential policies when choosing the direction of entrepreneurship, which indirectly results in the uneven development of the entrepreneurial pattern.

### **4.2 Specific problems in fiscal and taxation policies**

1. The preferential amount is low, the tax reduction and exemption are small, and the tax deduction limit is low.

Judging from the existing policies, the policy mainly focuses on tax reduction and exemption. It does not provide effective discounts for lowering the tax rate for college students, and the incentives are small, and the effect on reducing tax burden is limited. The current tax deduction limit is 8,000

yuan, which cannot really ease the tax burden of startups.

2. Too few preferential taxes are involved.

The preferential tax types mainly include value-added tax, corporate income tax, urban construction tax, education surcharge and local education surcharge. There are fewer taxes that actually reduce the corporate tax burden.

3. The financial investment and financing system for college students' entrepreneurship is not yet perfect.

Lack of funds is a common difficulty in the initial stage and development of college students. Financial institutions have a small loan amount for college students to start a business, and the loan is difficult and costly. There are many restrictions and conditions for guarantee loans established with government support. The procedures are complicated. At the same time, the current fiscal and taxation policies lack effective institutional designs for introducing more social funds for college students to start businesses.

## **5. Suggested Measures to Optimize College Students' Entrepreneurial Finance and Tax Policies**

1. Establish a policy and legal system for preferential taxation for entrepreneurship of college students.

From a global perspective, relevant departments should coordinate the overall thinking and policy framework, and give local governments a certain degree of autonomy in adjusting the preferential strength based on the actual situation in each place, taking into account the actual situation and development direction, improving the legal level of the policy, and establishing a whole coverage of entrepreneurial enterprises. Life cycle and systematic legal policy system.

2. Extend the preferential tax period, establish a long-term support mechanism, and normalize the preferential tax policy.

The regularity of the entrepreneurial cycle of college students requires a long-term systematic preferential policy system as a guarantee. It is recommended that the preferential period of taxation for entrepreneurship of college students be extended to more than five years. Independent entrepreneurs of college graduates engaged in self-employment can be deducted in accordance with existing policies in the first three years. After three years, you can continue to deduct the actual value-added tax, urban construction tax, education surcharge, local education surcharge, and personal income tax that each household will pay in accordance with the annual limit of each household. A fiscal and tax policy system that supports entrepreneurship, helps startups to survive the nascent stage, and escorts them to grow into mature companies with development qualifications.

3. Formulate differentiated preferential policies and establish flexible adjustment mechanisms.

In implementing the preferential policies for undergraduate entrepreneurship, various regions should adapt to local conditions. Different regions will give differentiated preferential policies and flexible adjustment mechanisms based on the actual situation of undergraduate entrepreneurship. Provide personalized encouragement policies according to different entrepreneurial projects and levels of innovation, transform preferential policies from inclusive incentives to incentive incentives, and improve college students' entrepreneurial enthusiasm. At the same time, it will make up for preferential policies in entrepreneurship education, fill gaps in preferential policies in other general manufacturing, agricultural and other industries, and promote the balanced development of entrepreneurial enterprises in different industries.

4. Increase the reduction and exemption and increase the preferential amount

Intensify the special tax incentives for college students' entrepreneurship, give full play to the guiding role of tax incentives, and continue to increase the standard of related tax deductions based on the 8,000 yuan per household deduction limit per year, which is different from other innovative entrepreneurial groups Inclusive preferential policies. In addition, the starting point of some taxes can be appropriately raised, which can effectively alleviate the tax burden of college students' entrepreneurship.

#### 5. Further expand the scope of preferences and increase preferential taxes

The types of companies established by college students are mostly individual industrial and commercial enterprises, small and micro enterprises, sole proprietorships, and limited liability companies. They continue to extend the coverage of preferential policies to all small and medium-sized enterprises, especially for colleges and universities. Small and meager enterprises with less than 20 employees provide more tax incentives and policy support. Increase the taxes involved in the preferential policies. On the basis of the original taxes, increase the land use tax, vehicle purchase tax, tariffs and other preferential taxes, and plan a reasonable path and a perfect tax preferential system for the entire development of startup enterprises. The use of diversified tax incentive tools, such as determining the starting point of tax payment, deferred tax payment, adding deductions, and allowing the carry forward of losses to enrich the tax incentive system.

#### 6. Special offers for startup financing

Compared with other groups, the financing channels for college students are narrower. The conditions for obtaining loans directly from financial institutions are immature and difficult. It is suggested to introduce a tax reduction policy for financial institutions to support entrepreneurial loans for college students, allow the loan income to be deducted from corporate income tax and value-added tax, and allow additional deductions for expenses of this type of business. Income derived by investors from investing in undergraduate entrepreneurial projects is subject to income tax reduction; investors who reinvest in entrepreneurial projects using the proceeds from investing in innovative projects by college students are exempt from income tax upon approval by the tax authorities.

#### 7. Establish a college student entrepreneurship fund to further increase financial investment.

With financial funds as a guarantee, financial institutions and social parties are encouraged to raise funds to establish special funds for undergraduate entrepreneurship support, and a college entrepreneurship foundation is provided to provide guidance and assistance such as entrepreneurship guidance. At the same time, the government provides funding assistance and credit guarantees for college students to obtain venture capital, to further alleviate the lack of entrepreneurship education and financing of college students.

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