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On the Influence of value-added tax(VAT)credit refund Policy on Enterprise Innovation

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Abstract

"Value-added tax(VAT) credit refund" is one of the important means of "tax reduction and fee reduction" policy. The policy directly improves the financial liquidity of enterprises by refunding the undeducted VAT input tax, and then activates a series of positive circulation mechanism conducive to innovation. This paper firstly analyzes the mechanism of the effect of the VAT policy on the ability of enterprise investment and research and development innovation; Secondly, it analyzes the current situation of enterprise innovation level and "value-added tax(VAT) credit refund"; Finally, in order to give better play to the positive guidance mechanism of "value-added tax(VAT) credit refund" in enterprise innovation and development, several optimization suggestions are put forward.

Keywords

Value-added tax, the policy of "value-added tax(VAT) credit refund", enterprise innovation.

1. Introduction

The report to the Party's 20th National Congress clearly points out that high-quality development is the primary task for comprehensively building a modern socialist country. Innovation, as the first of the new development concepts, affects the level of China's high-quality development. As one of the important means of the policy of "tax reduction and fee reduction", "staying tax rebate" has a non-negligible impact on stimulating the innovation potential of enterprises, promoting industrial upgrading, and even promoting the overall economic transformation and scientific and technological progress of the country. The policy directly improves the financial liquidity of enterprises by refunding the undeducted VAT input tax, and then activates a series of positive circular mechanisms conducive to innovation.

In recent years, the policy of "withholding tax refund" has been widely concerned by experts, scholars and policy makers at home and abroad. Muhammad Kamal (2020), a foreign scholar of Islam, carried out a study on the early repayment rebate in the cost plus sales of Islamic microfinance as early as 2020, and put forward a suggested method of diminishing rebate, which promoted the in-depth implementation of the policy of "credit rebate" in China to a certain extent. Gourdon Julien et al. (2022) studied the impact of China's export value-added tax rebate policy, taking China's export as an entry point. Berneti Andrea et al. (2021) studied rebate drugs in Europe and thought about problems from the viewpoint of unity of opposites, so as to strike a balance between policy makers and beneficiaries. The "rebate rebate" demonstrates China's wisdom and is closely linked to China's reality. Chinese scholars have produced abundant research results on this policy. Domestic scholars took listed companies as samples to study the impact of the policy on corporate performance, and some scholars also studied the relationship between the policy and corporate investment efficiency through the specific policy of the policy (Xue Yujia 2019). To sum up, domestic and foreign scholars focus on the policy of "withholding tax refund" itself and its impact on the development results of enterprises, but there is a lack of exploration on the impact of the policy on enterprise innovation. Based on the current political hot spots of the policy, this topic explores the impact of the policy on enterprise innovation.

2. Mechanism discussion

In recent years, in order to optimize the tax environment, reduce the tax burden of enterprises and stimulate the innovation vitality of the market, the government has begun to implement the policy of VAT "retention and refund". Through rigorous logical design, the policy has eased the financing constraints of enterprises and improved their ability to invest, research and develop innovation.

2.1. Directly increase cash flow and accelerate capital turnover

The most direct effect of the tax rebate policy is to inject immediate cash flow into enterprises. For those enterprises that are in the stage of rapid growth or expansion, especially high-tech enterprises and start-up enterprises, they are often faced with high capital investment, resulting in a large amount of VAT credit in the short term. The tax rebate policy is equivalent to recovering this part of the occupied funds for enterprises in advance, reducing the financial burden and enhancing the elasticity of the capital chain. Enterprises can quickly invest this extra cash flow into research and development activities, purchase advanced equipment, introduce high-end talents, carry out new technology research and development and new product development, and form a benign growth path driven by innovation.[1]

2.2. Reduce financial costs and optimize resource allocation

By reducing the tax expenses of enterprises, the tax rebate policy indirectly reduces their comprehensive operating costs. Under the background of the current global economic uncertainty, enterprises are facing increasing financial pressure, and the tax rebate policy has undoubtedly become an important measure to reduce the burden. The saved taxes and fees can be redeployed to more strategic areas to achieve the optimal allocation of resources, such as market development, supply chain optimization, brand building, etc., to help enterprises build stronger barriers to competition. In addition, the reduction of financial costs also helps to enhance the profitability of enterprises, increase the ability to reinvest profits, and form the mutual promotion of capital accumulation and technological innovation.[2]

2.3. Strengthen innovation incentives to build competitive advantages

The tax rebate policy also creates an internal motivation for enterprises to innovate. On the one hand, enterprises realize that they can get more tax returns by increasing their R&D investment, so they are more motivated to invest more resources in R&D and pursue technological breakthroughs and product differentiation. On the other hand, the government has released its strong intention to support innovation to the market through preferential tax signals, prompting enterprises to adapt to the policy orientation, take the initiative to adjust their development strategies, focus on core technology research, and seize the commanding heights of the industry. In the long run, this policy incentive mechanism can cultivate a group of leading enterprises with independent intellectual property rights and international market competitiveness, and promote the evolution of the industrial structure to a higher value-added and more sustainable direction.

2.4. Promote industrial chain upgrading and build an innovation ecosystem

The tax rebate policy not only benefits individual enterprises, but also produces a chain reaction on a larger scale, promoting the overall upgrading of the upstream and downstream industrial chains. When multiple enterprises in a certain industry strengthen innovation due to the benefits of the policy, the collaboration and competition among them will give birth to new technologies and business models, and accelerate the pace of innovation in the entire industrial chain. Especially for strategic emerging industries, the implementation of the tax rebate policy will help break the technical bottleneck, accelerate the localization process of key technologies, and enhance the resilience and security of the industrial chain. In addition, with the release of innovation vitality in all links of the industrial chain, an innovation ecosystem consisting of many innovative small and medium-sized enterprises will gradually take shape, laying a solid micro foundation for China to move towards an innovative country.

2.5. Improve corporate image and credit rating

The tax credit policy can also positively affect the social reputation and financial credibility of enterprises. By enjoying tax benefits, enterprises have demonstrated their good financial management ability and sense of social responsibility, which will attract more investors' attention and support, increase bank loan quotas, lower borrowing rates, and even obtain higher stock valuations in the open market. A quality credit record will also provide more convenience for enterprises to participate in bidding for major projects at home and abroad, apply for government subsidies and qualification certification, and open up a broader space for their innovative development.

To sum up, the tax rebate policy has had a profound and lasting positive impact on the innovation ability of enterprises by directly increasing cash flow, reducing financial costs, strengthening innovation incentives, promoting industrial chain upgrading and improving enterprise credit rating. Facing the opportunities and challenges of the new era, enterprises should fully grasp the benefits of the tax rebate policy, regard it as a key fulcrum to leverage innovation, actively explore the road of transformation and upgrading, and jointly write a new chapter in the high-quality development of China's economy. At the same time, the government departments also need to continue to improve the relevant policy rules, precise policies, to ensure that the tax dividend is accurately directed at the market players, and contribute to the construction of China's science and technology power and the realization of the second centenary goal.

3. urrent Situation Analysis

3.1. The level of enterprise innovation and VAT "value-added tax(VAT) credit refund"

3.1.1. Summary of current situation of enterprise innovation

In the digital age, the level of scientific and technological innovation has increasingly become the biggest competitiveness of enterprises. The trend of economic development makes many enterprises gradually realize the importance of innovation and increase their investment in research and development. On the one hand, enterprises continue to increase research and development funds, will be more funds for the development of new technologies, new products. On the other hand, enterprises actively cooperate with universities and scientific research institutions to integrate superior resources and jointly carry out project research and development, injecting new vitality into the development of enterprises. With the increase of innovation input, the innovation results of enterprises continue to emerge. A series of innovative results launched by enterprises to meet the ever-changing market demand. Although enterprises have made some achievements in innovation, economic development has faced many challenges in recent years due to the impact of the novel coronavirus epidemic. Innovation requires a large amount of capital, and enterprises are faced with problems such as difficult and expensive financing, which makes it difficult to obtain sufficient funds. Talent shortage is also a bottleneck for innovation, which is risky and enterprises often find it difficult

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to retain talent. For technology-oriented enterprises, innovation cost becomes the main expenditure of enterprise development, the innovation investment cycle is long, and the uncertainty of outcome transformation is large. However, tax is the main source of revenue for the government. In the case of declining economic development, the VAT policy of "withholding tax refund" balances the relationship between the two. It uses policy means to maximize the time value of money, reduce the burden on enterprises, provide working capital for innovation, stimulate the innovation vitality of enterprises, and greatly improve the innovation level of enterprises.

3.1.2. The positive impact of "value-added tax(VAT) credit refund" on enterprise innovation

(1) Easing financial pressure. Enterprise innovation requires a lot of capital. In the innovation and development of enterprises, not only a lot of human capital is needed, but also sufficient material capital is needed to ensure the quality of innovation results. The tax rebate policy can refund the VAT input tax retained by enterprises in the tax system in time, so as to increase the cash flow of enterprises, play the capital role of money, make full use of the time value of money, and help enterprises tide over economic difficulties. Value added tax "rebate" policy is undoubtedly the booster of enterprise innovation and development, this policy allows enterprises to refund the input tax that has not yet been deducted, which directly increases the disposable funds of enterprises. Enterprises' innovative research and development activities and results transformation projects are usually accompanied by higher risks and uncertainties, and the credit tax rebate reduces the risk of research and development interruption due to insufficient funds.

(2) Enhance the innovation enthusiasm of enterprises. The tax rebate policy is a preferential tax policy, which conveys the support signal of the government to enterprises. Today, when the global economic development is declining, the government is facing the huge downward pressure on the economy and carries out the policy of tax reduction and burden reduction, so that enterprises feel the encouragement and support from the government, giving enterprises the confidence to develop, thus enhancing the enthusiasm for innovation.[1]

(3) Promote industrial upgrading. By reserving the funds obtained from tax rebates, enterprises will introduce advanced equipment, increase investment in fixed assets, increase the added value of products, upgrade the scientific and technological content of innovative products, promote the transformation and upgrading of traditional industries, eliminate enterprises with excess capacity, optimize China's industrial structure, and realize the healthy development of the three major industries.

(4) Enhance market competitiveness. Innovation ability is an important part of an enterprise's core competitiveness. By supporting the innovation vitality of enterprises, the tax rebate policy helps enterprises to improve product quality, reduce production costs and enhance market competitiveness.[3]

3.2. Policy comparison and problem search

3.2.1. "Tax reduction and fee reduction" policy review

Tax and fee reduction is an important policy implemented in China to benefit the people's livelihood. The main purpose is to re-optimize and adjust the way resources are allocated between the government and the market. Tax and fee reduction means that the government directly reduces taxes, thereby easing the pressure on enterprises and individual economic households. The measure will help stimulate the vitality of enterprises and promote the transformation and upgrading of traditional industries. For individuals, the measure will narrow the income gap between the rich and the poor, stimulate household consumption, and support mass entrepreneurship and innovation. However, the threshold of tax and fee

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reduction is relatively high, and fewer small and medium-sized enterprises can enjoy this policy.[4]

3.2.2. The comparison and implementation of "tax reduction and fee reduction" and "credit rebate"

On the evening of March 21, 2019, the three departments of the Ministry of Finance, the Bureau of Taxation and the General Administration of Customs jointly issued the "Announcement on Deepening the Relevant Policies of VAT Reform", which mentioned that from April 1, 2019, the final period of VAT tax credit rebate system will be trialled. Since 2019, China has gradually established a VAT incremental tax credit and refund system. In general, China's tax rebate policy has achieved remarkable results in reducing the burden on enterprises, supporting enterprise development and stabilizing economic growth [5]. There is a sharp contrast between tax credits and tax cuts and fee reductions. In terms of policy, tax rebates should be reserved to solve the occupation of funds by enterprises, and tax cuts and fees will reduce the burden on all sides. In terms of implementation, the tax rebate for specific enterprises is refunded, and the adjustment policy of tax reduction and fee reduction takes effect automatically. In terms of implementation, the tax refund process is complicated, and the implementation process of tax reduction and fee reduction is relatively simple. Both have their own advantages, and together they help enterprises develop and promote economic stability.

4. Policy Optimization

The policy aims to reduce the tax burden for enterprises and promote enterprise innovation. However, there is still a long way to go to give full play to the positive role of the policy on enterprise innovation. In order to better play the positive guidance mechanism of VAT "tax credit and refund" in enterprise innovation and development, the following optimization suggestions are put forward:

4.1. Improve the transparency of policy

As the initiator and executor of the policy, the government should strengthen the publicity of the tax rebate policy, and let enterprises fully understand the specific content and application process of the policy through official channels and media reports. The government should make government affairs more open, handle tax review work well, act strictly in accordance with the law, and promote the fairness and justice of policy implementation.[6]

4.2. Simplify the operation process and shorten the tax refund time

In the digital era, the tax department should keep pace with The Times, promote the digitization of government affairs, further optimize the operation process of withholding tax refund, reduce unnecessary certification materials and documents, reduce unnecessary operation process, shorten the tax refund time, ensure that enterprises can immediately obtain tax refund funds, and relieve the financial pressure.

4.3. Power supervision and performance appraisal

Power should be locked up in an institutional cage. The key to the implementation of the policy lies in people. In order to promote the implementation of the policy and effectively improve the implementation of the tax rebate, the government should set up a special supervisory committee to effectively supervise the implementation of the tax rebate policy and achieve a fair and just wind of law enforcement. In addition, a multi-dimensional evaluation system is introduced to change the assessment of the tax department's implementation of the tax credit and refund from a single index to a more flexible index. A flexible assessment system is conducive to adapting to the flexibility of policy implementation, and carrying out tax collection and tax refund work in a targeted way.

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