Law of the People’s Republic of China on the Promotion of Small and Medium-sized Enterprises

Dan Young Business Consultancy — www.danyoungcpa.com

Unofficial English translation prepared for reference only. The official Chinese text prevails.

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Chapter I — General Provisions

Article 1 — This Law is enacted to improve the business environment for small and medium-sized enterprises, promote their healthy development, expand urban and rural employment, and enable them to play a greater role in national economic and social development.

Article 2 — For the purposes of this Law, small and medium-sized enterprises (SMEs) refer to enterprises of various ownership forms that are lawfully established within the territory of the People’s Republic of China, serve the need of social development, increase employment, and conform to state industrial policies, and whose production and operation scale falls within the categories of small or medium-sized enterprises. The criteria for classifying SMEs shall be formulated by the department in charge of comprehensive enterprise management under the State Council in conjunction with relevant departments based on indicators such as the number of employees, sales revenue, and total assets.

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Article 3 — The state shall implement the principle of active support, strengthened guidance, improved services, standardized management, and guaranteed rights and interests for SMEs, and create a favorable environment for the establishment and development of SMEs.

Article 4 — The department in charge of comprehensive enterprise management under the State Council shall be responsible for the overall planning and comprehensive coordination of SME work nationwide. Relevant departments of the State Council shall be responsible for SME promotion work within their respective responsibilities.

Article 5 — The state shall protect the property rights and other lawful rights and interests of SMEs and their investors. No entity or individual may infringe upon the property and lawful rights and interests of SMEs.

Article 6 — SMEs shall abide by laws and regulations, adhere to professional ethics, operate in good faith, and accept the lawful supervision and administration of the government and the public.

Article 7 — The state shall encourage SMEs to establish self-regulatory organizations to safeguard their own lawful rights and interests and strengthen self-discipline management.

Chapter II — Financial Support

Article 8 — The central budget shall establish special funds for SMEs. Local people's governments shall, based on actual conditions, provide financial support for SMEs.

Article 9 — Special funds for SMEs shall be used for: supporting the establishment of SME service systems; supporting technological innovation by SMEs; supporting SME credit guarantee systems; supporting SME market development; and other matters prescribed by the state.

Article 10 — Financial institutions shall improve financial services for SMEs, develop financial products suited to SMEs, improve credit approval efficiency, and increase the scale and proportion of loans to SMEs.

Article 11 — The state shall encourage financial institutions to increase credit support for SMEs through measures such as central bank relending and rediscounting.

Article 12 — The state shall establish and improve the SME credit guarantee system, encourage various types of guarantee institutions to provide credit guarantees for SMEs, and set up state-level and local re-guarantee institutions.

Article 13 — The state shall develop specialized financial institutions and small-loan companies serving SMEs, and encourage and guide private capital to invest in establishing financial intermediary service institutions serving SMEs.

Article 14 — The state shall take measures to expand the direct financing channels for SMEs, support qualified SMEs in financing through the capital market, and develop venture capital investment for SMEs.

Chapter III — Entrepreneurship Support

Article 15 — The state shall encourage entrepreneurship by all types of persons in accordance with law, protect the lawful rights and interests of entrepreneurs, and create a favorable social environment and policy system that encourages entrepreneurship.

Article 16 — The state shall simplify administrative examination and approval procedures for SMEs, reduce administrative fees, lower the market entry threshold for SMEs, and facilitate business registration and establishment for SMEs.

Article 17 — Local people's governments shall, based on actual conditions, provide SMEs with business premises and entrepreneurial bases, and establish entrepreneurial parks, incubators, and other public service facilities.

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Article 18 — The state shall implement preferential tax policies for SMEs, reduce the burden of taxes and fees on SMEs, and implement preferential tax rates for small low-profit enterprises.

Article 19 — The state shall encourage universities, research institutions, and large enterprises to open scientific research facilities to SMEs and provide technological support and services for SME innovation and entrepreneurship.

Article 20 — For unemployed persons, university graduates, and retired military personnel who establish SMEs, tax incentives shall be provided within a certain period in accordance with state provisions, and administrative fees shall be reduced or exempted.

Chapter IV — Technological Innovation

Article 21 — The state shall formulate policies and measures to encourage SMEs to increase investment in technological innovation, adopt new technologies, new processes, new equipment, and new materials, and develop new products.

Article 22 — The state shall establish technology innovation funds for SMEs, support SMEs in technological innovation activities, and encourage venture capital institutions to invest in technological innovation projects of SMEs.

Article 23 — The state shall encourage SMEs to establish technology research and development institutions, and support cooperation between SMEs and universities, research institutions, and large enterprises in industry-university-research collaboration.

Article 24 — SMEs' expenditures for technology development shall be deducted from taxable income in full in accordance with state provisions. For technology transfer, technology development, and related technical consulting and technical service income of SMEs, tax incentives may be enjoyed in accordance with state provisions.

Article 25 — The state shall encourage SMEs to implement intellectual property strategies, support SMEs in obtaining intellectual property rights such as patents and trademarks, and protect the intellectual property rights of SMEs.

Chapter V — Market Development

Article 26 — The state shall encourage large enterprises to establish cooperative relationships with SMEs such as outsourcing and order-based production to promote the development of SMEs.

Article 27 — Government procurement shall set aside a certain proportion of procurement amounts for SMEs. For products and services that can be provided by SMEs, government procurement shall be directed preferentially to SMEs.

Article 28 — The state shall support SMEs in exploring the international market, and encourage SMEs to participate in international exhibitions, international economic and technological cooperation, and international bidding.

Article 29 — Relevant departments of the state shall provide guidance and services to SMEs on foreign trade, product certification, technical standards, and other aspects to help SMEs develop international markets.

Article 30 — The state shall encourage intermediary service organizations to provide services to SMEs in information, consulting, legal affairs, accounting, auditing, and other areas.

Chapter VI — Social Services

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Article 31 — The state shall establish and improve the SME service system, encourage various types of social intermediary service organizations to provide services to SMEs, and promote the socialization and marketization of SME services.

Article 32 — The state shall support the establishment of SME service institutions, provide SMEs with public services such as information inquiry, technological support, management consulting, entrepreneurship guidance, market development, and personnel training.

Article 33 — The state shall encourage universities and training institutions to conduct entrepreneurship training and management training for SME operators and employees.

Article 34 — Industry associations, chambers of commerce, and other social organizations shall actively serve SMEs, reflect the demands of SMEs, and safeguard the lawful rights and interests of SMEs.

Article 35 — The state shall establish a statistical monitoring system for SMEs, strengthen statistical surveys, monitoring, and analysis of the production and operation of SMEs, and publish relevant information in a timely manner.

Chapter VII — Supplementary Provisions

Article 36 — The specific criteria and implementation measures for the classification of SMEs shall be formulated by the State Council.

Article 37 — The provisions of this Law shall also apply to SME promotion work within the Special Administrative Regions of Hong Kong and Macao where investment is made in the mainland.

Article 38 — The measures for the implementation of this Law shall be formulated by the State Council. The people's congresses of provinces, autonomous regions, and municipalities directly under the Central Government and their standing committees may formulate implementation measures for the promotion of SMEs in their respective regions in accordance with this Law and local conditions.

Article 39 — This Law shall come into force on January 1, 2003.

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