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

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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 for the purposes of improving the business environment for small and medium-sized enterprises, protecting the lawful rights and interests of small and medium-sized enterprises, supporting their business startup and innovation, promoting their healthy development, expanding urban and rural employment, and bringing into play the important role of small and medium-sized enterprises in the national economic and social development.

Article 2 — “Small and medium-sized enterprises” (SMEs) as used in this Law means enterprises of various ownership forms that are legally established within the territory of the People’s Republic of China, have relatively small personnel numbers and business scale, and include medium-sized, small and micro

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enterprises. The specific standards for the classification of SMEs shall be formulated by the department in charge of the comprehensive management of the promotion of SMEs under the State Council, in conjunction with the relevant departments under the State Council, based on indicators such as the number of employees, operating revenue and total assets, and in light of the characteristics of the industries, and shall be submitted to the State Council for approval.

Article 3 — The State shall incorporate the promotion of the development of SMEs into the national economic and social development plans, adhere to the principles of being active and supportive, strengthening guidance, improving services, regulating in accordance with the law and protecting rights and interests, and create a favorable environment for the establishment and development of SMEs. SMEs shall, in accordance with the law, engage in business operations, comply with the laws and regulations of the State, and shall not harm the public interests.

Article 4 — SMEs shall enjoy the same treatment as large enterprises in terms of market access, land use, financing, taxation and other aspects, unless otherwise provided by laws or administrative regulations. No entity or individual may discriminate against SMEs or impose unreasonable conditions on them.

Article 5 — The State Council shall establish a comprehensive coordination mechanism for the promotion of the development of SMEs to comprehensively coordinate the work relating to the promotion of the development of SMEs throughout the country. The departments concerned under the State Council shall, in accordance with their respective functions and duties, be responsible for the relevant work relating to the promotion of the development of SMEs.

Article 6 — The State shall implement a statistical monitoring system for SMEs, strengthen the statistical survey, monitoring and analysis of SMEs, regularly publish relevant information, and provide a basis for the decision-making on the promotion of the development of SMEs.

Chapter II — Financial Support

Article 7 — The central budget shall allocate funds for the development of SMEs, focusing on supporting the public service systems and financing service systems for SMEs. Local people’s governments at or above the county level shall, based on their actual conditions, allocate funds for the development of SMEs within their budgets.

Article 8 — The State shall establish a national small and medium-sized enterprise development fund to guide and encourage social capital to invest in SMEs. The national small and medium-sized enterprise development fund shall be operated on market principles and shall mainly support SMEs in the initial stage and growth stage.

Article 9 — Financial institutions shall play their role in serving the real economy and increase the scale and proportion of financing for SMEs. The State shall encourage financial institutions to develop financial products and services tailored to the needs of SMEs and to improve their credit approval efficiency for SMEs.

Article 10 — The State shall improve the multi-level capital market system, support qualified SMEs in financing through the stock market, bond market and other capital markets, and encourage venture capital enterprises to increase their investment in SMEs. The State Council and the relevant departments shall formulate measures to promote the development of regional equity markets for SMEs.

Article 11 — The State shall establish and improve the financing guarantee system for SMEs, and the state financing guarantee funds shall provide re-guarantee and other support to the financing guarantee institutions serving SMEs. The State shall encourage all types of guarantee institutions to provide credit guarantee services for the financing of SMEs.

Chapter III — Business Startup Support

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Article 12 — The State shall improve the business startup environment for SMEs, simplify the administrative examination and approval procedures, reduce business startup costs, and provide convenience for SMEs. The State shall encourage and support the business startup of university graduates, scientific and technical personnel, demobilized military personnel and other persons.

Article 13 — Local people's governments at or above the county level shall, based on their actual conditions, establish business startup bases and incubators for SMEs and provide production and business premises and supporting facilities for SMEs.

Article 14 — The State shall implement preferential tax policies conducive to the business startup and development of SMEs. For qualified SMEs, the State shall implement tax incentives such as reductions, exemptions and tax deferrals in accordance with the provisions.

Chapter IV — Technological Innovation Support

Article 15 — The State shall encourage SMEs to carry out technological innovation activities and increase their investment in technological innovation in accordance with the market demand. The State shall adopt measures to support the technological innovation of SMEs and encourage large enterprises to drive the technological innovation of SMEs.

Article 16 — The State shall encourage SMEs to research, develop and adopt new technologies, new processes, new equipment and new materials, and shall provide support for the transformation and industrialization of their scientific and technological achievements. SMEs shall enjoy the relevant preferential tax policies for their expenses incurred in technological innovation activities.

Article 17 — The State shall encourage scientific research institutions, institutions of higher learning and large enterprises to open their scientific and technological resources such as scientific research facilities, laboratories and testing platforms to SMEs, and to provide technical consulting, technical training and other technical services to SMEs.

Chapter V — Market Development Support

Article 18 — The State shall improve the market system, implement a unified market access list system, and oppose all forms of monopoly and unfair competition, so as to create a level playing field for SMEs. The State shall support SMEs in participating in fair competition in the market and shall protect the lawful rights and interests of SMEs.

Article 19 — Government procurement shall reserve a certain proportion of the procurement budget for goods, projects and services for SMEs. For procurement projects that SMEs are able to supply, priority shall be given to procurement from SMEs. Large enterprises shall, when contracting government procurement projects, subcontract part of the project to SMEs in accordance with the provisions.

Article 20 — The State shall support SMEs in exploring the international market, participating in international economic and technological cooperation and exchange, and participating in the Belt and Road Initiative, and shall provide relevant policy support and services.

Chapter VI — Service System

Article 21 — The State shall establish and improve the public service system for SMEs, and encourage and support all sectors of society to establish service institutions to provide services for SMEs in business startup, technological innovation, financing, consulting, information, training, marketing and other aspects.

Article 22 — Local people's governments at or above the county level shall, based on their actual conditions, establish public service institutions for SMEs to provide public services for SMEs. The State shall support industry associations, chambers of commerce and other social organizations in reflecting the demands of

SMEs and providing services such as rights and interests protection, information exchange and consulting for SMEs.

Chapter VII — Rights and Interests Protection

Article 23 — The State shall protect the property rights and other lawful rights and interests of SMEs and their investors in accordance with the law. No entity or individual may infringe upon the property of SMEs and their investors. The State shall protect the right of SMEs to participate in fair competition in the market and shall investigate and punish illegal acts such as forced transactions and the setting of unreasonable trading conditions.

Article 24 — State organs, institutions and large enterprises shall not default on the payments owed to SMEs for goods, projects or services, and shall not force SMEs to accept unreasonable trading conditions by taking advantage of their superior position. SMEs shall have the right to demand the contracting parties to pay the amounts owed in accordance with the agreement.

Article 25 — No entity or individual may force or force in a disguised form SMEs to make donations or apportioned charges. No entity or individual may force SMEs to provide sponsorship. SMEs shall have the right to refuse any illegal charges, fines and fund-raising by apportionment.

Chapter VIII — Supplementary Provisions

Article 26 — This Law shall apply to the promotion of the development of small and medium-sized enterprises invested by foreign investors within the territory of the People’s Republic of China.

Article 27 — This Law shall come into force on January 1, 2003. The Amendment was adopted on September 1, 2017.

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