SME Promotion Law of the PRC

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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, safeguarding their fair participation in market competition, protecting their lawful rights and interests, promoting their sound development, and expanding urban and rural employment, so as to allow 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, have a relatively small number of employees and a relatively small scale of business, and include micro-enterprises. The criteria for classifying SMEs shall be formulated by the department responsible for the comprehensive administration 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, business revenue and total assets, and by reference to the characteristics of different industries.

Article 3 — The State shall include the promotion of the development of SMEs as a long-term development strategy and shall adhere to the principles of equal treatment for all types of enterprises, the implementation of an active support policy, the strengthening of guidance, and improvement of services; and shall, in accordance with the law, create favorable environments and conditions for the establishment and development of SMEs and protect their lawful rights and interests.

Article 4 — SMEs shall conduct business operations in accordance with the law, abide by State labor and employment, work safety, occupational health, social security, resources and environment, quality standards, intellectual property rights, financial and tax regulations, and other laws and regulations, practice good faith and self-discipline, and shall not harm the lawful rights and interests of employees or the public interest.

Article 5 — The State Council shall establish a comprehensive coordination mechanism for the promotion of the development of SMEs to study and coordinate major issues concerning the promotion of their development. The department responsible for the comprehensive administration of SMEs under the State Council shall organize the implementation of the national policies and plans for the promotion of the development of SMEs and shall conduct comprehensive coordination, guidance and services for the work of promoting the development of SMEs throughout the country.

Article 6 — The State shall establish a statistical monitoring system for SMEs, strengthen the statistical survey and monitoring and analysis of the development of SMEs, and regularly publish relevant information.

Chapter II — Fiscal and Tax Support

Article 7 — The central budget shall arrange special funds for the development of SMEs. Local people's governments at or above the county level shall, based on the actual circumstances, arrange special funds for the development of SMEs within their respective fiscal budgets.

Article 8 — The State shall implement tax preferential policies that are conducive to the development of SMEs and shall reduce their tax burden. The State shall reduce or exempt the administrative fees on SMEs and shall reduce or waive relevant charges.

Article 9 — The State shall establish the National Development Fund for Small and Medium-Sized Enterprises to support the development of SMEs by guiding and attracting local governments, venture capital institutions and other social capital to invest in SMEs. The specific measures for the fund shall be formulated by the State Council.

Article 10 — Government procurement shall set aside a certain proportion for purchases from SMEs. Where SMEs participate in government procurement, they shall enjoy preferential treatment in accordance with the relevant provisions; where procurement departments and agencies reserve a share of procurement

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specifically for SMEs, the amount of such reserved procurement shall account for not less than 30 percent of the total annual government procurement budget. Where it is not suitable to purchase from SMEs due to special circumstances such as special projects, exceptions may be made accordingly.

Chapter III — Financing Promotion

Article 11 — The People's Bank of China shall make comprehensive use of monetary policy tools to encourage financial institutions to increase credit support to SMEs and improve the financing environment for SMEs.

Article 12 — Financial institutions shall develop financial products and services that meet the needs of SMEs and shall improve the credit assessment and approval mechanisms for SMEs to increase their access to financing services.

Article 13 — The State shall improve the multi-level capital market system, gradually expand the scale of direct financing for SMEs such as the issuance of corporate bonds and equity financing, and actively develop the capital market segments serving SMEs.

Article 14 — The State shall establish and improve the financing guarantee system for SMEs. The people's governments at or above the county level shall establish credit guarantee institutions for SMEs and inject capital into them through fiscal support and other means. The State shall encourage various types of guarantee institutions to provide credit guarantee services to SMEs.

Article 15 — The State shall encourage and support financial institutions such as small and medium-sized banks and community banks to serve SMEs. Financial institutions shall not impose unreasonable loan conditions or fees on SMEs, nor shall they require compulsory tying of products or services.

Article 16 — The State shall promote the development of the accounts receivable financing service platform for SMEs. Where State organs, institutions and large enterprises delay payment of accounts due to SMEs for goods, projects or services, such entities shall bear liability as agreed upon in the contract.

Chapter IV — Innovation and Entrepreneurship Support

Article 17 — The State shall improve entrepreneurship support policies, improve the entrepreneurial environment, lower the threshold for entrepreneurship, strengthen entrepreneurship services, and support various types of persons in establishing SMEs. The State shall encourage the establishment of innovation and entrepreneurship parks and maker spaces to provide production and business premises and related supporting services for SMEs.

Article 18 — The State shall encourage SMEs to carry out technological innovation, in accordance with market demand, promote technological progress, and increase their core competitiveness. The State shall support SMEs in applying for and using intellectual property rights, and protect the intellectual property rights of SMEs.

Article 19 — SMEs may enjoy preferential tax treatment for their research and development expenses. The research institutions of institutions of higher education, scientific research institutes and other entities shall, in accordance with the relevant provisions of the State, give priority to the transfer of scientific and technological achievements to SMEs, or cooperate with SMEs in the development and transformation thereof.

Chapter V — Market Development

Article 20 — The State shall improve the market access system, oppose monopolies and unfair competition, and create a market environment of fair competition for SMEs. Except as otherwise provided by laws and administrative regulations, no entity may restrict SMEs from entering the market.

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Article 21 — The State shall encourage large enterprises to cooperate with SMEs. Large enterprises shall, in fulfilling their social responsibilities, promote the collaborative development of large enterprises and SMEs in their supply chain management, procurement and outsourcing, and other aspects.

Article 22 — The State shall support SMEs in participating in the supply chains of key industrial chains and innovation chains, and shall guide SMEs in specialized and sophisticated development to produce novel and unique products and form specialized and distinctive competitive advantages.

Article 23 — The State shall support SMEs in participating in foreign trade and economic cooperation and in exploring international markets. Relevant departments and institutions shall provide SMEs with guidance and services in terms of market information, legal consulting, and talent training.

Chapter VI — Service Measures

Article 24 — Local people's governments at or above the county level shall, based on actual needs, establish and improve public service institutions for SMEs and provide SMEs with public services such as information, technology, entrepreneurship, training, and financing consultation.

Article 25 — The State shall encourage social capital to invest in the establishment of service institutions for SMEs, establish and improve the service system, and reduce the cost of services for SMEs.

Article 26 — The State shall support scientific research institutions, institutions of higher education and other entities in opening to SMEs their scientific research facilities and instruments, scientific data, and other scientific and technological resources to assist SMEs in technological innovation.

Article 27 — The State shall implement SME management personnel training programs, encourage the training and introduction of professionals, and support institutions of higher education and vocational education institutions in adjusting their disciplines and specialties to cultivate various types of professionals needed by SMEs.

Chapter VII — Protection of Rights and Interests

Article 28 — The lawful rights and interests of SMEs and their investors shall be protected by law. No entity or individual may infringe upon the property and lawful rights and interests of SMEs. No entity may illegally change the ownership of an SME, nor may it illegally occupy or use, free of charge, the property of an SME.

Article 29 — No entity may impose any of the following requirements on SMEs in violation of laws, regulations or State regulations:

(1) collecting fees from SMEs;

(2) imposing fines on SMEs;

(3) apportioning charges to SMEs;

(4) soliciting donations or sponsorships from SMEs; or

(5) requiring SMEs to purchase designated products or accept designated services.

Article 30 — The lawful rights and interests of SMEs shall be protected by law. Where an administrative organ or an organization authorized by law or regulation to exercise public administration functions infringes upon the lawful rights and interests of an SME in performing its duties, the SME shall have the right to file a complaint, bring an administrative reconsideration or file an administrative lawsuit in accordance with the law.

Chapter VIII — Supervision and Inspection

Article 31 — The department responsible for the comprehensive administration of SMEs under the State Council and the relevant departments shall, in accordance with their respective duties, supervise and inspect the implementation of this Law and the policies on the promotion of the development of SMEs, and shall promptly investigate and handle illegal acts.

Article 32 — Local people's governments at or above the county level shall organize regular assessments of the implementation of the policies on the promotion of the development of SMEs within their administrative areas and shall make the assessment results public.

Article 33 — The State shall establish a complaint and reporting mechanism for protecting the rights and interests of SMEs, publish the methods and channels for complaints and reports, accept the complaints and reports of SMEs, and protect their lawful rights and interests in accordance with the law.

Chapter IX — Supplementary Provisions

Article 34 — The classification standards and specific scope of SMEs shall be prescribed by the State Council. The State Council shall adjust the classification standards for SMEs in a timely manner based on the progress of economic and social development and the changes in the characteristics of SMEs.

Article 35 — This Law shall come into force as of January 1, 2018.

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