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FISCAL RELIEF AND THE CHALLENGES OF CORPORATE HIGH-QUALITY DEVELOPMENT: EVIDENCE FROM CHINESE ENTERPRISES

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Abstract:

Tax and fee reductions are a fundamental policy tool to promote the growth of corporations, but little research is done on how the internal processes of converting fiscal incentives into high-quality development of firms work systematically. The bulk of the current scholarship is based on quantitative models to confirm the economic effects of tax relief, which are not able to fully understand how businesses perceive policy dividends, redistribute released capital and overcome organisational limitations in practice. The paper determines the realistic barriers and viable optimisation avenues to transforming the benefits of tax and fee reductions into a sustainable business competitiveness. This study is qualitative in nature using semi-structured interviews, which are based on the supply-side economics, financing constraint theory and endogenous growth theory. The data were gathered from enterprise owners, senior executives, finance managers and tax experts to sum up the actual experiences of enterprises in the operation of preferential fiscal policies. Interview results reveal five major restraining factors limiting policy effectiveness: insufficient policy accessibility, cumbersome administrative procedures, short-term liquidity pressures, weak independent innovation capacity, and mismatches between policy design and corporate development demands. This paper further confirms that tax relief can only drive high-quality growth if firms possess adequate capacity to divert saved funds into innovation, technological upgrading, human resource training and organisational optimisation. Different from prior outcome-focused quantitative research, this study shifts analytical focus to the organisational operation logic behind fiscal policy implementation, enriching theoretical explanations of tax incentives at the micro-firm level. The conclusions provide targeted references for

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policymakers to optimise policy publicity, build complementary supporting mechanisms and design differentiated fiscal tools matching heterogeneous enterprise characteristics.

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Corporate High-Quality Development, Enterprise Capacity Development, Fiscal Policy, Innovation Capability, Tax and Fee Reductions

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Introduction

China's economic transformation from rapid expansion to high-quality growth has placed higher demands on enterprises' production efficiency, innovation capabilities, and long-term competitiveness. This is especially true for small and medium-sized enterprises (SMEs), which are numerous and widespread, vital to employment and people's livelihoods, and also face numerous challenges. Against this backdrop, tax and fee reduction policies have become a core component of China's supply-side structural reform. Related measures include lowering Value-Added Tax (VAT) and corporate income tax rates, providing additional tax credits for Research and Development (R&D) investment, and reducing social security contributions, aiming to reduce enterprise operating costs and release internal capital.

Using tax and fee reductions to support high-quality economic development has become a core measure in deepening fiscal and tax system reform. Statistics show that in 2022, among taxpayers who received VAT refunds, SMEs accounted for 93.1% of the total number of taxpayers, receiving 917.8 billion yuan in refunds, representing 39.7% of the total amount; medium-sized enterprises received 510.4 billion yuan, and large enterprises received 881.5 billion yuan, accounting for 22.1% and 38.2% of the total amount, respectively (Ministry of Finance of the People's Republic of China, 2024). Through the implementation of a series of tax and fee support policies, the burden on market entities has been significantly reduced, the cash flow pressure on enterprises has been alleviated, and the endogenous driving force for development has been effectively enhanced. However, obtaining tax breaks does not guarantee that companies will spontaneously upgrade their technology, expand their capital, or maintain sustained organizational competitiveness. The actual value of tax breaks depends on how companies view, acquire, allocate, and utilize the newly released capital. Therefore, it is necessary to deeply analyze companies' internal decision-making processes to accurately assess the actual effects of tax reduction policies.

Existing literature provides substantial evidence that, with strong support from the VAT refund policy, a wide range of market players have gained new competitive advantages. Lowering the tax burden can improve corporate cash flow (Ren & Lyu, 2014), alleviate financing constraints (Shen et al., 2016), expand investment scale (Tang & Feng, 2019), increase R&D investment, and optimize resource allocation (Li & Zhao, 2021). However, some studies argue that tax savings may be used to alleviate short-term liquidity crises, repay debt, or manage earnings, rather than support long-term innovation investment (Jiang & Wang, 2015). Despite these disagreements, most previous studies have assessed policy effects using financial indicators and econometric models. While these methods can effectively identify the statistical correlation between tax burden and firm performance, there remains a research gap in capturing the relationship between policy benefits and corporate competitiveness. Current research lacks sufficient discussion of the practical difficulties firms face in obtaining VAT refunds, such as barriers to policy information access, complex application processes, trade-offs between short-term survival and long-term investment, and the mismatch between general policy frameworks and individual firm needs. Therefore, the relationship between fiscal reduction and high-quality development has not been fully studied.

This study fills this research gap by employing three theoretical perspectives. First, supply-side economics explains how tax cuts reduce production costs and expand investable capital, but it assumes that firms possess sufficient information and management capabilities to allocate resources efficiently. However, in the real world, numerous constraints exist (policy opacity and weak administrative capacity). Therefore, the financing constraint theory and endogenous growth theory supplement this analytical framework. The former clarifies how tax relief alleviates external capital shortages by improving internal cash flow, while the latter emphasizes that sustainable competitive advantage depends on knowledge accumulation, technological innovation, and organizational learning, rather than one-off fiscal gains. By combining these three theories, this study is able to examine the capital release effect and the organizational capabilities required to transform fiscal dividends into high-quality development.

The paper tries to fill two gaps in the research: What are some of the practical challenges that Chinese enterprises encounter when trying to convert tax and fee reduction incentives into high-quality development performance? What specific actions can enhance the effectiveness of fiscal support policies, thus enhancing long-term corporate development? The main source of data to address these questions in this paper is semi-structured interviews with corporate decision-makers. This study has three major contributions. First, it adds to the existing empirical evidence by uncovering the entire process of policy perception, access and reallocation of resources within an organization. Second, it combines three classical economic theories and connects the dots between fiscal relief, corporate financial conditions, management decisions, and innovation upgrading. Third, it outlines the obstacles to implementation and internal limitations that undermine policy efficiency and offers concrete recommendations on how to design more accessible, differentiated and long-term industry development-oriented fiscal tools. This is done by changing the focus of the research on measurable outcomes of policies to micro level strategies of corporate operations.

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Literature Review

Corporate High-Quality Development and Tax & Fee Reduction Policies

Corporate high-quality development is a transition from the factor-driven scale expansion to innovation and efficiency-oriented growth. High-quality development focuses on the sustainable value creation by technological advancement, effective resource distribution, optimisation of management and enhanced competitiveness in the market as opposed to the traditional growth evaluation systems that prioritise output, revenue and scale of assets. According to Huang et al. (2018), this concept was defined as overall development in production efficiency, technical capacity, product quality and internal governance, and that the growth of a company should be measured by its sustainability and not quantity. The latest research also defines the innovation capacity, efficiency of resource allocation and operational optimisation as key aspects of high-quality corporate development (Wang & Wang, 2022; Yang, 2023). High-quality development is, in a nutshell, a dynamic process during which enterprises constantly transform all kinds of input resources into their main competitive advantages.

The Total Factor Productivity (TFP) is the measurement indicator that has been used in existing research to measure the quality of corporate development. TFP is a measure of output growth that is attributable to technological advances, organisational efficiency and optimisation of resources other than labour and capital inputs, based on the productivity analysis framework developed by Solow (1957). Syverson (2011) observed that the differences in productivity between firms are largely due to management modes, technical reserves and operational efficiency. In the institutional environment of China, researchers are highly inclined to use TFP as an indicator of the quality of corporate development because it indicates the positive changes that technical transformation and resource rationalisation have introduced (Ye, 2022). But quantitative TFP indicators are only able to measure the performance gaps at the end without providing any explanation of internal decision-making logic. Numerical results cannot capture managers' development priorities, trade-offs in resource allocation or the underlying reasons for divergent growth patterns among firms with similar external policies.

The tax and fee reductions are also well known as crucial policy measures to promote high-quality corporate development. These policies can enhance the financial situation of companies, stimulate investment incentives and R&D activities by reducing fiscal burdens. Li and Zhao (2021) discovered that tax incentives alleviate the cost pressure and increase the amount of funds available to corporate innovation. Likewise, Liu and Mao (2019) demonstrated that investment tax incentives had a significant positive impact on firm investment and productivity with the effect being stronger in financially constrained firms. However, the correlation between tax relief and high-quality development is not inevitable. Companies can invest the savings in innovative upgrading, or they can use it for day-to-day operations and repayment of debts. The bulk of the existing literature is based on quantitative measures to test the impact of policies, and a relatively small number of studies focus on internal corporate processes by which fiscal resources are perceived, internalized and converted into long-term development capacity. Thus, managers' actual experiences and the logic behind their decisions can be used to supplement quantitative evidence that focuses on outcomes.

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Supply-Side Economics and the Release of Fiscal Resources

Supply-side economics offers theoretical bases to explain how tax reductions restructure the cost structure of corporations and investment incentives. This theory states that growth is not just a matter of expanding demand, but also of institutional conditions conducive to production, investment, innovation and efficient use of resources. Taxation directly impacts on the expected returns from corporate business activities and on the amount of funds available for productive investment. Reduced tax rates increase after-tax profits, reduce marginal production costs and increase incentives to expand capacity. Jorgenson (1963) showed that tax policies influence the costs of capital users and then their investment decisions by corporations. Hall and Jorgenson (1967) also proved that tax incentives have a strong effect on long-term capital accumulation through the adjustment of investment profitability. These traditional inferences formed the theoretical basis of assessing the developmental worth of fiscal relief policies.

The diversified system of tax and fee reductions in China is indicative of a larger supply-side policy logic whereby various fiscal tools affect the costs of corporations, liquidity and investment incentives via different channels. The experience of VAT reforms in China demonstrates that investment tax incentives can greatly boost the fixed investment of firms (Zhang et al., 2018), and tax deductions can also alleviate financing constraints by enhancing the external financing capacity of firms (Wang et al., 2021). In addition to the formal taxation, social insurance contributions are another significant aspect of the cost of operating a business. Zhao and Wang (2022) discovered that increased social insurance contributions have a significant negative impact on firm investment, with the most severe impacts being those that are more cost-pressed or have stricter financing constraints. Combined, these results indicate that tax and fee cuts are to be viewed as a package of cost, liquidity and investment measures, not as stand-alone tax policies.

Although supply-side economics can be used to describe the way in which tax cuts unleash disposable corporate capital and enhance investment incentives, it cannot fully explain whether or not enterprises will be able to convert such capital into sustainable development capacity. The effectiveness of policy relies on the capacity of firms to obtain preferential qualifications, interpretation of implementation rules and distribution of surplus funds to productive projects. Recent findings also show that the impact of tax reform is highly heterogeneous across ownership, industry, firm size and financing status (Lan et al., 2020; Yu & Qi, 2022). He et al. (2023) also demonstrates that tax policy reform can have an impact on corporate innovation via financing constraints, cash flow and R&D personnel. These results suggest that the capital release mechanism as suggested by the supply-side economics needs to be explored at an organisational level. The current research continues to have no definite answers on how managers perceive fiscal benefits, how they prioritize in fund allocation and internal obstacles that prevent turning tax savings into long-term competitiveness. This can be addressed by qualitative interview research which can restore the real policy implementation processes at the firm level.

Endogenous Growth Theory, Financing Constraints and Capacity Upgrading

The endogenous growth theory explains the inner workings of transforming short-term financial profits into long-term competitive ability of a company. In contrast to the neoclassical growth theory, which assumes that technological progress is an exogenous factor, endogenous growth theory suggests that long-term economic growth is based on continuous investments in

knowledge accumulation, independent innovation, human capital training and organisational learning (Romer, 1990). Aghion and Howitt (1992) also put technological innovation and knowledge creation at the centre of productivity enhancement and competitiveness in the market. In terms of firm-level analysis, this view is that high-quality growth cannot be sustained on the basis of adequate financial resources alone; firms need to be able to transform their capital reserves into actual upgrading capacity. The main ways to build up internal strengths are R&D investment, technical equipment renewal, training of employees' skills, digital transformation and process optimisation. In this regard, tax and fee relief measures can only facilitate high-quality development in case the released funds are redirected to innovative and organisational upgrading projects as opposed to short-term operational spending.

The shift in fiscal relief to capacity building is directly related to the status of corporate financing. Large capital expenditure is needed for innovation and technical transformation, with long payback periods and uncertain returns. Companies with acute financing pressures can delay or cancel long-term projects of high value due to lack of capital. Wang et al. (2021) show that VAT deductions can relax firms' financing constraints by lowering borrowing costs and improving access to commercial credit. Liu and Mao (2019) likewise find that the investment and productivity effects of tax incentives are stronger among financially constrained firms. In this context, tax and fee reductions can function as financing support by improving firms' liquidity and resource availability. Nevertheless, improved liquidity does not automatically generate capacity upgrading, as enterprises continue to face trade-offs between short-term survival and long-term strategic investment.

Recent academic research has gradually recognised that the developmental value of fiscal support depends on how released resources are reallocated within firms. Li and Zhao (2021) indicate that tax incentives can support corporate upgrading by expanding resources available for investment. Yu and Qi (2022) show that China's BT-to-VAT reform increased firm productivity through channels including fixed asset investment, R&D expenditure and specialisation. Wang et al. (2024) further find that VAT-based tax incentives promote corporate innovation mainly by alleviating financing constraints and increasing R&D intensity. Beyond formal R&D projects, capacity upgrading may also involve equipment renewal, employee development, digital transformation and organisational process improvement. Even so, most existing studies identify these transmission relationships through quantitative indicators and provide limited insight into managers' real resource-allocation decisions. This paper therefore adopts a qualitative perspective to examine how enterprises convert fiscal relief into long-term development capacity.

Research Analytical Framework

Synthesising the three theoretical perspectives, this study conceptualises tax and fee reductions as an enabling resource condition rather than a direct determinant of corporate high-quality development. Supply-side economics explains the initial resource-release mechanism through which fiscal relief reduces operating burdens and expands internally available funds. Financing constraint theory further explains how these released resources improve liquidity and partially relax firms' dependence on costly or restricted external financing. However, the developmental effect of fiscal relief depends on subsequent managerial resource-allocation decisions. From the perspective of endogenous growth theory, tax savings contribute to high-quality development only when they are effectively converted into innovation investment, technological upgrading, human capital development, digital transformation and organisational

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learning. The integrated framework therefore identifies a sequential but non-automatic transmission process from fiscal relief to resource release, financing-condition improvement, managerial allocation and endogenous capability accumulation, ultimately leading to corporate high-quality development. Policy accessibility, administrative burden, firm heterogeneity and market conditions may interrupt or weaken this transmission process at different stages.

This integrated theoretical framework also explains why identical fiscal policies generate divergent outcomes across enterprises. Tax cuts provide potential capital dividends, yet managers must decide how to allocate limited funds among competing priorities. Some firms prioritise R&D, equipment renewal and digital transformation, while others channel capital toward debt repayment and daily operational stability. Such differences arise from heterogeneous corporate characteristics covering financial status, ownership type, industrial attributes, management capacity and strategic positioning. Moreover, policy efficiency relies not only on the scale of tax concessions but also on enterprises' ability to understand policy rules, complete application procedures and obtain benefits in a timely manner. The full transmission chain from fiscal relief to high-quality development therefore includes four sequential links: policy information acquisition, corporate liquidity improvement, management resource allocation and internal capacity accumulation.

Drawing on the three theoretical perspectives, the proposed analytical logic is summarised in Figure 1. Tax and fee reductions initially release internal financial resources by reducing firms' fiscal burdens, consistent with supply-side economics. These resources may subsequently alleviate liquidity pressure and financing constraints, thereby increasing managerial discretion over resource allocation. However, fiscal relief contributes to corporate high-quality development only when the released resources are effectively transformed into innovation, technological upgrading, human capital development and organisational capability accumulation, as explained by endogenous growth theory. Figure 1 therefore illustrates a conditional transmission process in which policy accessibility, financing conditions, managerial resource allocation and internal transformation capacity jointly determine whether fiscal benefits can be converted into sustainable corporate development.

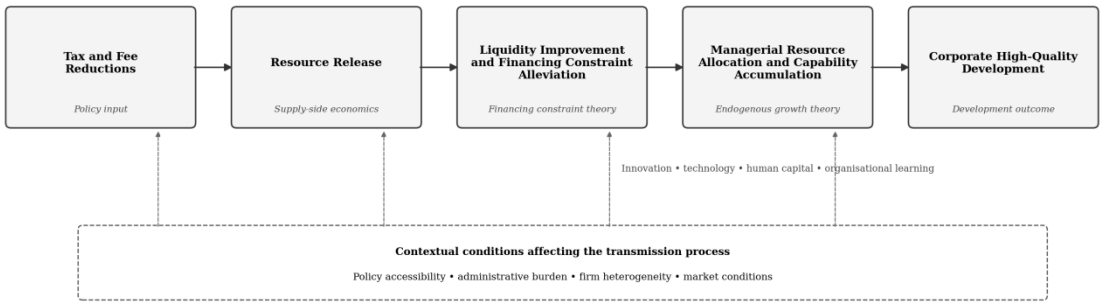


Figure 1: Integrated Theoretical Framework Linking Fiscal Relief to Corporate High-Quality Development

Source: Authors' own elaboration.

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Research Methods

Research Design

The research design is exploratory qualitative research that aims to examine the perceptions, use and conversion of tax breaks to high-quality development capabilities by firms. The qualitative research design is appropriate for this research purpose as the main role of this type of research is to uncover the hidden processes in the organization, the subjective perceptions of managers and barriers in real implementation instead of testing the statistical correlation between variables. While a great deal of quantitative literature has evaluated the economic impact of tax breaks, it is not possible to characterize the actual situations in which policy information is gathered, funding is allocated and strategic decisions are made within various internal firm conditions. Qualitative research can be used to explore the process of how fiscal policy affects at the micro-firm level.

In this study, semi-structured interviews are chosen as the method of data collection. Semi-structured interviews are more flexible than structured questionnaires and enable the researcher to follow up on unexpected circumstances, clarify ambiguous statements and identify background factors that may have influenced firm decisions. The approach employed in this research is especially relevant since the application of tax savings entails a complicated interplay of numerous variables, such as policy perception, financial pressures, management priorities, innovation planning and market uncertainty. The interview plan was designed on the basis of the theoretical framework that was created during the literature review and included four main modules: enterprises perception of high-quality development, practical experience of tax and fee reduction policies, changes in resource allocation caused by tax savings, and barriers that limit the transformation of fiscal dividends into long-term development potential. The interview transcripts were analysed thematically following a systematic process of familiarisation, initial coding, category development, theme construction and theoretical interpretation. The analysis was both deductive and sensitive to the integrated theoretical framework as well as inductive and attentive to recurring concepts that arose from the interview data. Initial statements about policy access, administrative procedures, financing pressure, resource allocation and investment in innovation and organisational upgrading were coded and then aggregated into higher order themes. The themes were then checked with the entire data set and the research questions to make sure that there were conceptual consistency and empirical basis.

Respondents and Data Collection

The sampling technique adopted in the selection of interviewees is purposive sampling, which guarantees that all the respondents have first-hand work experience on corporate tax and fee reduction policies. Purposive sampling is different from random sampling in that it seeks to select information-rich informants who can give detailed information on the research questions. The interviewees are the owners of enterprises, senior management, finance supervisors and full-time tax experts who are in charge of corporate financial management, preferential policy implementation and strategic capital distribution. These respondents have first-hand experience in assessing the benefits of policies, and in managing internal capital and making investment and innovation decisions.

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The final sample comprised 32 respondents from 25 independent enterprises. To enhance sample transparency and facilitate assessment of the contextual transferability of the findings, Table 1 summarises the characteristics of the respondents and participating enterprises, including respondent roles, professional experience, industry, firm size, ownership type and geographical location. The sample covers enterprises from both manufacturing and service sectors and incorporates variation in organisational size and ownership structure. This heterogeneity was intentionally incorporated through purposive sampling to capture diverse experiences of accessing, utilising and allocating fiscal relief. The sample was not intended to achieve statistical representativeness; rather, the diversity reported in Table 1 provides the contextual basis for evaluating the applicability of the qualitative findings across different corporate settings.

Table 1: Sample Characteristics and Coverage

Sample dimension	Study coverage
Final sample	32 respondents from 25 independent enterprises
Respondent roles	Enterprise owners; senior managers; finance managers/supervisors; tax specialists
Industry coverage	Manufacturing and service industries
Firm size	Small, medium and large enterprises
Ownership coverage	Firms with different ownership structures
Relevant experience	Direct involvement in tax management, financial management and/or strategic decision-making
Policy-use criterion	Firm had used at least one tax or fee reduction measure
Interview duration	Approximately 40–60 minutes per interview
Sampling logic	Purposive maximum-variation sampling; analytical rather than statistical generalisation

Source: Authors' own elaboration.

The interviews were carried out offline or online, depending on the convenience of the respondents, and lasted 40 to 60 minutes. All participants were given clear explanations of research objectives, confidentiality regulations and rights to voluntary participation before formal interviews. All conversations were recorded and transcribed verbatim with the permission of interviewees to be analyzed later using coding techniques. All firms and respondents are anonymised with unique codes (e. g. P1, P2, P3) to ensure privacy protection. Interviews are based on a flexible structural design that leaves room to allow the respondents to expound personal experience but at the same time covering all the core dimensions of the research. The interview guide is based on the combined theoretical framework, which includes questions on awareness of the policy, experience in its implementation, changes in cash flow, investment decision-making, innovative behaviour and perceived barriers to capacity upgrading.

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Interview Outline and Data Analysis Standardisation

The semi-structured interview plan creates a direct relationship between the theoretical and empirical research. According to the combined theoretical framework that was created during the literature review, the questions of the interview are broken down into four dimensions of analysis: connotation of corporate high-quality development, fiscal capital release effects, financial status and resource allocation decisions, and conversion of fiscal dividends into long-term development capacity. The former dimension examines how managers internally define quality growth and core capacity standards of sustainable development. The second dimension examines access channels and experience of firms with tax and fee reduction policies, information acquisition, application process and real benefit acquisition impacts. The third dimension examines the impact of tax savings on changing the status of corporate cash flow and redefining the priorities of management in allocating funds. The fourth dimension is concerned with particular directions in which enterprises can transform tax relief into R&D investment, technical transformation and employee capacity building.

Interview transcripts were analysed in NVivo 14. Two researchers participated in the coding process. After familiarisation with the full dataset, an initial codebook was developed by combining theory-informed categories with inductive codes emerging from the interviews. Eight transcripts, representing 25% of the 32 interviews, were selected to reflect variation in industry, firm size and ownership context and were independently coded by both researchers. Initial open codes included policy information barriers, administrative complexity, cash-flow shortages, short-term operating demands, R&D investment, equipment renewal and organisational upgrading. Related codes were subsequently consolidated into higher-order categories and core themes.

The semi-structured interview protocol was designed based on the integrated theoretical framework to ensure consistency in the theoretical concepts, research questions and empirical data collection. The interview protocol, as shown in Table 2, includes corporate perceptions of high-quality development, resource-release impacts of fiscal relief, financing conditions and resource allocation, conversion of fiscal benefits into innovation and organisational capabilities, obstacles to policy utilisation, and possible actions to enhance policy effectiveness. All the dimensions of interviews were associated with a respective theoretical or analytical approach and focused on respondents who had the appropriate managerial or professional experience. Table 2 thus illustrates how the theoretical framework was operationalised into specific lines of qualitative enquiry and yet still flexible enough to allow follow-up questions to be asked depending on the experiences of individual respondents.

Table 2: Interview Outline Based on Integrated Theoretical Framework

Theoretical perspective	Research focus	Interview dimension	Interview questions	Target respondents
Corporate high-quality development	Firms' understanding of long-term development objectives	Development priorities and performance improvement	How does your enterprise define high-quality development? What capabilities are considered essential for achieving sustainable development?	Enterprise owners; Senior managers

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Theoretical perspective	Research focus	Interview dimension	Interview questions	Target respondents
Supply-side economics	Resource release effects of fiscal relief	Cost reduction and business incentives	How have tax and fee reductions affected your enterprise's operating costs, financial resources, and strategic decisions?	Finance managers; tax specialists
Financing constraint theory	Internal liquidity and financing capability	Cash-flow improvement and resource allocation	Have tax and fee reductions alleviated financing pressures? How were the released resources allocated among different business needs?	Chief financial officers; finance managers
Endogenous growth theory	Transformation of fiscal benefits into capabilities	Innovation, technology, and organisational upgrading	How has your enterprise transformed tax and fee reduction benefits into innovation, technological upgrading, or capability development?	Senior managers; Operational managers
Policy delivery	Barriers affecting policy utilisation	Policy awareness, accessibility, and administrative procedures	What challenges have affected your enterprise's ability to obtain and utilise tax and fee reduction policies?	Owners; finance managers; tax specialists
Strategic response perspective	Recommendations for improving policy effectiveness	Future improvement strategies	What measures could improve the effectiveness of tax and fee reduction policies in supporting enterprise development?	All respondents

Source: Authors' own elaboration.

Results and Discussion

Core Barriers Restricting the Conversion of Tax Relief into High-Quality Development

Insufficient Policy Cognition and Low Accessibility

The initial fundamental theme that can be drawn out of the interview data is related to the insufficient awareness and access to policies, which constitute the basic barrier to transforming fiscal dividends into development resources. The findings of interviews indicate that the majority of SMEs do not have special administrative staff who monitor the current policy changes and thus they have an incomplete knowledge about the eligibility of preferential policies, the procedures of application and the range of benefits available.

This phenomenon leaves a clear policy supply and real utilisation gap. The introduction of tax reduction policies does not imply that all firms will be covered equally in terms of benefits. Companies that have full professional finance departments and internal governance capability

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can easily detect and seek similar incentives, whereas resource-constrained SMEs lose access to fiscal assistance because of information asymmetries. These gaps lead to unequal distribution of policy dividends and undermine the inclusive design objective of tax relief. Also, frequent changes in policies and unclear official documents add to the cost of interpreting information; managers need to spend additional time reading the text of the policy or buy external tax consulting services. Though the tax and fee cuts are meant to decrease the corporate costs, the lack of transparency and accessibility of the policies creates additional information costs, constraining the contribution of the fiscal assistance to the high-quality development.

Cumbersome Administrative Procedures and Implementation Divergence

The second major obstacle is complex administrative procedures and uneven local policy enforcement. Although the fiscal relief policies are meant to ease corporate institutional loads, companies encounter various practical challenges in their application, verification of qualification and receipt of benefits. Interviewees indicated too many documents needed, resubmission of information and lack of clarity on approval time that increases hidden compliance costs of accessing tax incentives.

These implementation barriers are the evidence that efficiency of the policy relies on the top-level design and administrative efficiency at the grassroots level. When businesses spend a lot of human and time resources to prepare materials and communicate with government departments, some of the capital saved through tax cuts will be compensated by the extra administrative expenses. This issue is especially evident among SMEs that lack full-time tax management staff. Moreover, the standards of policy interpretation vary between local authorities, which brings uncertainty to cross-regional operating firms. The unstable expectations of implementation undermine the confidence of managers in continuity of policies in the long term and do not motivate innovative investment planning. Simple streamlined administrative procedures and uniformity of implementation norms are thus necessary to make sure that fiscal relief actually decreases corporate institutional costs.

Short-Term Liquidity Pressure and Resource Allocation Dilemmas

Corporate disposable capital is supplemented by tax and fee cuts, but interview data indicate that there are significant challenges in channeling such capital to long-term capacity upgrading. The most notable conflict is the trade-off between survival of daily operations and strategic innovative investment. Companies with acute cash flow problems focus on keeping the basic production going, paying employees, repaying maturing debt and stabilising supply chain partnerships, instead of initiating long-cycle R&D and technical change projects.

This obstacle shows that fiscal relief cannot be implemented outside of the general financial position of corporations. In the case of businesses caught in prolonged cash crunches, tax savings are nothing more than short-term risk management measures but not money to transform their structure. Though such allocation decisions are in line with rational logic of operations, they restrict the contribution of tax incentives to increase long-term productivity and innovation potential. In the meantime, when there are several investment opportunities (equipment replacement, market development, staff training, and building a digital system) managers have to make multi-objective allocation decisions. The uncertainty of the market, the anticipated returns on investments and internal capital limitations all contribute to final allocation outcomes. Based on this, the question is not whether companies get tax savings or

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not, but whether they have strategic management capability and favourable external market environment to translate one-off capital supplements into sustainable development benefits.

Weak Endogenous Innovation and Strategic Transformation Capacity

The fourth obstacle is the inability of the companies to upgrade their organisation and innovation performance through tax savings. Though tax cuts will increase the available capital, innovative transformation requires other things: companies must accumulate technical reserves, hire qualified professionals, establish mature management systems and organisational mechanisms to effectively use extra funds. The interview evidence suggests that quite a few managers are aware of the importance of innovation, but they face implementation challenges such as shortage of professional R&D personnel, inadequate reserves of digital technology and unclear commercial returns of innovative projects. These constraints reduce the management's interest in using tax savings for long-term, high-risk innovative investments.

There is also a huge difference in capacity transformation conditions in industries. Technology intensive companies have obvious opportunities to invest tax savings into laboratory research and equipment iteration, while traditional manufacturing companies are primarily reliant on production line renewal and process optimisation to improve efficiency. The importance of tax relief in development will be decided by the ability of firms to convert financial resources into tangible core competitiveness. Without comparable internal governance and technical reserves, fiscal assistance can only relieve the short-term financial pressure without inducing structural modernization.

Mismatch Between Policy Design and Heterogeneous Corporate Development Demands

The fifth theme that was extracted is the lack of fit between global fiscal policy structures and differentiated corporate development requirements. Although the policies of tax and fee reduction are usually targeted at increasing investment and innovation, there is a sharp difference between the standardised provision of policy and diversified practice of corporate life. There are companies that desperately need immediate liquidity assistance, and those that do not have technical advice, talent base or market growth avenues. Common policy instruments thus produce unequal impacts on firms of varying sizes, ownership forms, industries and maturity levels. As an illustration, R&D additional deduction policies provide clear advantages to successful high-tech companies but provide minimal relief to loss-making companies with high liquidity risks.

This imbalance shows that the efficiency of policy needs differentiated design with a specific focus on corporate heterogeneity. Fiscal assistance must not be limited to reducing tax liabilities but also take into account how various categories of firms can transform the saved capital into core capacity. In the absence of coordinated complementary supporting measures, tax cuts will only offer short-term financial relief without addressing underlying bottlenecks in innovation, financing and market competitiveness. The prerequisite of creating fiscal policies that produce high-quality growth effects over a long period is fully sorting out diversified corporate development requirements.

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Theoretical Interpretation of the Findings

The five identified barriers provide empirical elaboration of the integrated theoretical framework developed in the literature review. From a supply-side economics perspective, insufficient policy cognition and cumbersome administrative procedures show that the formal provision of tax relief does not necessarily translate into an equivalent release of usable corporate resources. Information-search costs, application requirements and implementation uncertainty can reduce the effective value of fiscal incentives before the released resources enter firms' internal allocation processes. The findings therefore qualify the assumption that lower fiscal burdens automatically strengthen productive incentives by demonstrating that policy accessibility and implementation efficiency are preconditions for effective resource release.

The finding concerning short-term liquidity pressure corresponds closely to financing constraint theory. Tax and fee reductions increase internally available cash and can reduce reliance on external financing, but the interviews indicate that this alleviation is often partial rather than sufficient. Firms experiencing acute liquidity constraints tend to allocate tax savings to wages, debt repayment, working capital and business continuity before considering long-term investment. Fiscal relief therefore reduces the intensity of financing constraints without necessarily eliminating the underlying capital shortage, helping to explain heterogeneous investment responses among firms exposed to similar fiscal measures.

The finding of weak endogenous innovation and strategic transformation capacity further supports the central logic of endogenous growth theory. Financial resources generate sustainable developmental effects only when they can be transformed into knowledge, technological capability, human capital and organisational learning. Enterprises lacking technical expertise, skilled personnel, effective governance routines or viable innovation projects may therefore receive fiscal benefits without achieving corresponding improvements in long-term development capacity. The effectiveness of tax relief consequently depends not only on the amount of resources released but also on firms' capacity to absorb and transform those resources.

Finally, the mismatch between standardised policy design and heterogeneous corporate needs connects the three theoretical perspectives and identifies an important contextual boundary of the integrated framework. Firms differ in financing pressure, technological intensity, organisational capacity, development stage and strategic priorities; identical fiscal instruments may therefore produce different resource-release, allocation and capability-building effects. Taken together, the findings indicate a conditional transmission mechanism rather than a direct policy-outcome relationship: fiscal relief creates developmental potential, while the realisation of that potential depends on policy accessibility, financing conditions, managerial allocation decisions and endogenous capability accumulation.

Optimisation Strategies to Improve Tax and Fee Reduction Policy Efficiency Strengthen Policy Publicity and Lower Access Barriers

Government tax authorities should move from passive policy disclosure toward targeted policy delivery, particularly for SMEs with limited specialised tax-management capacity. A unified digital service platform could integrate firm registration and basic tax information to provide automated eligibility screening, personalised policy matching, application-deadline reminders

and simplified policy interpretations. Local tax authorities could further establish dedicated SME consultation channels through which firms receive case-specific guidance before submitting applications. These mechanisms would reduce information-search costs and enable eligible enterprises to identify applicable fiscal incentives more quickly and accurately.

Simplify Administrative Workflows and Unify Implementation Standards

Administrative reform should focus on reducing repeated information submission and differences in policy interpretation across implementing authorities. A single-window application mechanism could allow firms to submit common corporate information once, while relevant government departments share verified data through authorised administrative systems. Standardised eligibility checklists, clearly specified documentary requirements, transparent processing timelines and formal consultation channels would further reduce uncertainty. For firms operating across regions, greater consistency in policy interpretation and implementation standards would improve the predictability of fiscal incentives and strengthen their usefulness in long-term investment planning.

Guide Productive Reinvestment of Fiscal Savings Through Supporting Incentives

Fiscal relief should be coordinated with complementary instruments that increase the attractiveness of productive reinvestment without restricting firms' legitimate autonomy over capital allocation. Enterprises investing incremental resources in R&D, equipment renewal, employee training, energy-efficiency improvement or digital transformation could receive additional matching subsidies, investment allowances or service vouchers. Such instruments would be particularly useful for firms that receive tax savings but remain reluctant to undertake long-cycle investment because of uncertainty regarding future returns. The policy objective should be to increase the expected return from capability-building activities rather than administratively earmark the use of tax savings.

Coordinate Fiscal Relief with Financial and Innovation Ecosystem Construction

For enterprises facing persistent financing and capability constraints, tax relief should form part of a broader support package rather than function as an isolated intervention. Local governments could coordinate fiscal incentives with credit-guarantee programmes, preferential SME lending, technology-service platforms, university-enterprise cooperation and specialised training services. Subject to appropriate data-protection arrangements, verified tax and operating information may also support financial institutions in assessing the creditworthiness of SMEs that lack conventional collateral. Combining financial relief with access to capital, technology and professional expertise would increase the likelihood that released fiscal resources are transformed into productive capabilities.

Develop Differentiated Targeted Fiscal Policy Systems

Policy design should distinguish enterprises according to their principal development constraints rather than applying uniform instruments across all firms. Small firms experiencing acute liquidity pressure may require simplified procedures and immediate cash-flow support, whereas technology-intensive firms may benefit more from R&D incentives, talent support and innovation-related tax credits. Traditional manufacturing enterprises may require equipment-renewal and digital-transformation assistance, while firms entering expansion stages may

benefit from financing and market-development support. Policymakers should therefore combine firm size, industry characteristics, technological intensity, financial condition and development stage when determining the appropriate policy package. Periodic ex-post evaluation should assess whether different instruments generate the intended investment and capability-building responses among their target groups.

Conclusion

This paper thoroughly examines the entire process in which businesses exploit tax and fee reduction benefits to achieve high-quality development. Although current quantitative studies have widely experimented on the economic performance of fiscal relief, little research has been done to unravel internal organisational processes of policy cognition, capital acquisition, fund allocation and capacity transformation at the micro-firm level. This paper uses a qualitative semi-structured interview approach as a method of collecting first hand data among enterprise owners, senior managers, finance directors and tax specialists based on supply-side economics, financing constraint theory and endogenous growth theory. The empirical evidence supports the idea that tax and fee cuts offer crucial financial resources to corporate activity, but whether they can lead to quality growth depends solely on the ability of enterprises to transform one-off capital dividends into long-term innovative and organisational competitiveness. There are five key restrictive factors: low accessibility of policies, bureaucratic administrative processes, short-term liquidity crunch, lack of internal innovation capabilities, and inconsistency between universal policy design and heterogeneous corporate development needs. These findings confirm that fiscal relief does not necessarily facilitate high-quality development; its ultimate impacts are the product of interaction of policy implementation regulations, internal corporate circumstances, management decision-making logic and capacity-building practices.

This study contributes to the literature by elucidating micro-organisational transmission processes between fiscal incentives and corporate development performance. First, it extends the studies on tax and fee reduction policies by moving the analytical focus beyond tangible end results of policy use to the entire internal process of policy utilisation, which explains why the same fiscal instruments produce different outcomes in enterprises. Second, the paper combines three traditional economic theories to develop a multi-step analytical framework that links the release of fiscal capital with long-term capacity building, providing a more detailed theoretical explanation of the conversion process of tax savings into innovative upgrading. Third, empirical interview findings offer specific practical implications to policymakers, including the need to streamline policy publicity platforms, streamline administrative processes, establish integrated financial and innovation facilitating frameworks, and develop differentiated fiscal instruments corresponding to various corporate attributes.

Limitations and Future Research

There are a number of limitations to this study that delimit the conclusions made. To begin with, the analysis will be conducted on the basis of purposive interviews with 32 respondents among 25 enterprises. Even though the sample includes variation in industry, firm size and ownership structure, it is not aimed at providing statistical representation of the larger population of Chinese enterprises, and the cases in individual organisational categories do not allow comparing them systematically as subgroups. Second, cross-sectional interview design measures managerial perceptions and organisational responses at a specific moment in time and thus cannot determine how the impacts of fiscal relief change as financial conditions of

firms, policy environments and strategic priorities vary. Third, the results are mainly based on self-reported managerial reports and can be influenced by recall bias, role-specific interpretation and social desirability. The evidence of the interview was not triangulated systematically with corporate financial statements, tax or administrative policy-utilisation data. Fourth, institutional features of the Chinese fiscal and enterprise environment might restrict direct transferability to economies with alternative systems of taxation, financial markets and policy implementation structures. These limitations may be overcome in future studies by using larger and more stratified qualitative samples, longitudinal designs that follow resource allocation over several policy cycles, and mixed-method designs that incorporate interviews with financial measures, tax data and policy-utilisation measures. Further comparative research on fiscal instruments and institutional settings would also help to elucidate the boundary conditions of the transmission mechanism found in this study.

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Ethics Statement: This study adopts qualitative research based on one-on-one interviews with participants. All research procedures were carried out in strict accordance with standard academic ethical norms. Prior to each interview, verbal informed consent was obtained from all interviewees. All participants were guaranteed full anonymity and confidentiality, and all interview recordings and textual materials were only used for this academic research without any external disclosure.

Author Contribution Statement: Ranran Feng completed the research design, interview data collection, qualitative content analysis and drafted the original full manuscript. Ja'afar Bin Pyeman* (Corresponding Author), as the main supervisor, provided comprehensive research guidance, revised the overall research framework, interpreted interview results, polished the manuscript, and managed all communication and procedures for journal submission. Soo Cheng Chuah, as co-supervisor, offered professional academic guidance throughout the study, took part in literature sorting, theoretical analysis, manuscript review, and grammar and format proofreading. All authors have read and fully approved the final version of this manuscript for submission.

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