

Business support measures amid economic challenges

Overview

Hong Kong's economy has been impacted by the **Sino-US trade war**, **social unrest** and, more recently, the **COVID-19 pandemic**. To assist enterprises to cope with the pressure brought about by the economic downturn and alleviate their burden, the HKSAR Government has announced **various measures to support enterprises and safeguard jobs**. As of April 8, 2020, the Government has pledged **\$287.5 billion (US\$36.9 billion) - about 10 per cent of GDP - to help offset the economic fallout from COVID-19**, including the \$120 billion relief package in the 2020-21 Budget, the first round of \$30 billion Anti-epidemic Fund and \$137.5 billion (US\$17.6 billion) relief package announced on April 8. The Government will continue to monitor the situation and, if required, implement new relief measures in a timely manner.

Support for business in 2020-21 Budget

On February 26, the Financial Secretary unveiled his 2020-21 Budget, which included about \$120 billion in counter-cyclical measures. Initiatives to support enterprises to cope with the impact of economic downturn and COVID-19 include:

- A **new loan guarantee product** under the **SME Financing Guarantee Scheme (SFGS)** under which **100 per cent guarantee** will be provided by the Government to help SMEs obtain low-interest loans. Eligible enterprises can borrow up to the total amount of employee wages and rent for six months, subject to a ceiling of \$4 million (US\$513,000) and a repayment period of up to 3 years. Application started on April 20, 2020.
- **Reducing profits tax** for 2019-20 by 100 per cent, subject to a ceiling of \$20,000.
- **Waiving rates for non-domestic properties** for four quarters in 2020-21, subject to a ceiling of \$5,000 per quarter in the first two quarters and \$1,500 per quarter in the remaining two quarters.
- **Waiving business registration fees** for 2020-21.
- **Waiving registration fees** for all annual returns (except for late delivery) charged by the Companies Registry for two years.
- Providing a subsidy to each eligible, non-domestic household account for four extra months to cover 75 per cent of their monthly billed **electricity charges**, subject to a monthly cap of \$5,000 per account.
- Waiving 75 per cent of **water and sewage charges** payable by non-domestic households for four extra months, subject to a monthly cap of \$20,000 and \$12,500, respectively, per household.
- A **six-month rental subsidy to local recycling** enterprises.
- **Reducing rental by 50 per cent** for another six months for eligible tenants of government properties, government land and the EcoPark.
- **Reducing rentals and fees** for eligible operators of properties covered by short-term waivers by 50 per cent for another six months.
- Providing hirers of civic centres under the Leisure and Cultural Services Department (LCSD) with a 50 per cent **reduction of hire charges** for another six months.
- A further six months of **fees and rent reduction for cruise lines** and existing tenants of the Cruise Terminal.

The one-off proposals in the Budget also include a **\$10,000 cash payout** to Hong Kong permanent residents aged 18 or over, with a view to stimulating the local economy by encouraging local consumption.

Anti-epidemic Fund

On February 5, 2020, the Government announced the establishment of a **\$10 billion Anti-epidemic Fund** to ease the burden on businesses and the community during the fight against COVID-19. On February 14, the Government announced the fund would be increased. On February 21, the Legislative Council Finance Committee approved the injection of **\$30 billion (US\$3.85 billion)** into the fund, including **\$16.9 billion to support enterprises and safeguard jobs**. Initiatives include:

- One-off subsidy of \$80,000 to each licensed **travel agent**.
- One-off subsidy of \$200,000 to each eligible licensed **restaurant and factory canteen**.

- One-off subsidy of \$80,000 to each eligible licensed **light refreshment restaurant, food factory, bakery, fresh provision shop, and siu mei and lo mei shops.**
- One-off subsidy of \$5,000 to each eligible **licensed hawkers.**
- A subsidy of up to \$80,000 to each licensed **guesthouse.**
- Setting aside \$5.6 billion to provide a **one-off subsidy to each eligible retailer.**
- Setting aside \$3.23 billion to provide comprehensive and continuous financial support to the **various transport trades.**
- Setting aside \$1.02 billion to support the **convention and exhibition industry** by providing subsidies to participants and organisers of major conventions and exhibitions.
- Allocating \$150 million to support the **arts and culture sector** by providing subsidies to arts and cultural groups.
- Setting aside \$380 million to provide a six-month rental waiver for tenants and start-ups at Hong Kong Science Park, Cyberport and industrial estates to support **the innovation and technology** sector.
- Providing subsidies to **training bodies** appointed by the Employees Retraining Board, at a total cost to the Government of about \$90 million.

To help the construction industry combat the effects of COVID-19, the Government proposed offering various subsidies to industry stakeholders through the Construction Industry Council, including **a subsidy of \$50,000 to each eligible contractor, subcontractor and consultant to strengthen hygienic control measures.** The Government announced on April 1, 2020, that the beneficiaries of the support measures concerned will be extended to cover workers who are engaged in small-scale works outside construction sites as well as small and medium enterprise (SME) consultants which are company members of professional institutions and associations. Each **eligible worker will receive a subsidy of \$1,000** and each **eligible consultant will get \$20,000**, further **benefitting about 240,000 construction workers and 400 SME consultants.**

\$137.5 billion relief package to support businesses, preserve jobs

On April 8, the Government announced a package of economic relief measures worth \$137.5 billion (US\$17.6 billion) to help individuals and industries affected by the COVID-19 outbreak. Key initiatives include:

- \$80 billion **Employment Support Scheme** under which wage subsidies will be provided to eligible employers - Capped at \$9,000 per month (i.e. 50 per cent of median monthly wage in Q2 2019 of \$18,000) per employee for six months.
- \$21 billion to provide 16 types of **support for specific sectors**, including catering, education, transport, tourism, construction, etc.
- Enhancing the **SME Financing Guarantee Scheme** - additional expenditure of around \$11.69 billion; additional guarantee commitment of \$30 billion.
- **Easing burden of transport costs**, including support on a 50:50 matching basis for the MTR Corporation to provide a 20 per cent fare discount and relaxing temporarily the monthly threshold of the Public Transport Fare Subsidy Scheme.
- **Deferral of tax payments** for three months.
- Extending the deadline for project completion and/or relax the payment schedules of **government work and non-works contracts** and extend the Building Covenant period by up to 6 months in land leases.

Four rounds of relief measures announced since mid-August 2019

Since mid-August 2019, the Government has announced four rounds of measures to **support enterprises, safeguard jobs and relieve people's burden**, totalling more than \$30 billion, to cope with the economic impact of social unrest in Hong Kong as well as the Sino-US trade war.

The Government announced on August 15 and September 4 two rounds of relief measures:

- Waive 27 groups of **government fees and charges** for 12 months to benefit a wide range of sectors from maritime, logistics, retail, catering, tourism, construction, to agriculture and fisheries.
- **Reduce the rental** for most short-term tenancies of government land for community and business use under the Lands Department, public market stalls leased by the Food and Environmental Hygiene Department, catering establishments and retail stores leased by the Government Property Agency (GPA), public cargo working areas leased by the Marine Department and stalls/facilities in the four wholesale markets managed by the Agriculture, Fisheries and Conservation Department by 50 per cent for six months.

- Implement a **fee review moratorium** on government fees and charges set on a cost recovery basis until December 31, 2020.
- Introduce a **loan guarantee product under the SFGS** under which 90 per cent guarantee will be provided by the Government to help enterprises borrow up to \$6 million with a guarantee period of up to 5 years.
- Introduce a **new relief measure under the SFGS** whereby SME borrowers may apply for principal moratorium of up to 12 months.
- Further enhance the **Dedicated Fund on Branding, Upgrading and Domestic Sales** (BUD Fund) and the **SME Export Marketing Fund** and inject \$1 billion each to these funds to better support enterprises in exploring business opportunities, promoting sales and participating in business missions organised by the Government and related organisations for market development.

Additional measures to support enterprises and safeguard jobs

Additional measures were announced on October 22, costing about **\$2 billion in total, to support enterprises and safeguard jobs**, particularly in hard-hit sectors. These measures include:

- Provide **fuel subsidy for the transport trade** for six months or a one-off fuel subsidy. Provide a one-off **survey fee subsidy for local commercial marine vessels**.
- **Reduce the rental for short-term tenancies of government land** for fee-paying public car parks and harbourfront recreational or event venues under the Lands Department by 50 per cent for six months, with retrospective effect from October 1, 2019.
- **Reduce the rental for fee-paying public car parks** under the GPA by 50 per cent for six months, with retrospective effect from October 1, 2019.
- Extend the coverage of the **rental concession of 50 per cent for six months for catering establishments and retail stores** leased by the GPA announced in mid-August to include supermarkets, superstores, a shopping mall and vending machines, with retrospective effect from October 1, 2019.
- Reduce the rental for fee-paying **public car parks and catering and retail premises** under the LCSD by 50 per cent for six months, with retrospective effect from October 1, 2019.
- **Reduce fees of short-term waivers** and temporary waivers issued to most waiver holders for varying the terms of land grants for community and business use by 50 per cent for six months, with retrospective effect from October 1, 2019.
- Reduce **hire charges of facilities of civic centres** managed by the LCSD by 50 per cent for six months, with retrospective effect from October 1, 2019.

Additional \$4 billion package of support measures

On December 4, the Government **announced the fourth round of support measures involving over \$4 billion**. They included:

- **Waiving water and sewage charges**, provision of electricity subsidies, and further concession of rates for non-domestic accounts.
- Taxpayers of profits tax, salaries tax and personal assessment may apply for **payment of tax by instalments** without paying the current surcharge of 5 per cent to 10 per cent.
- **Various fee-waiving and subsidy measures** for the tourism industry, recycling industry and securities industry.

Co-ordinated support from banking industry

The Hong Kong Monetary Authority (HKMA) convened a special teleconference of the Banking Sector SME Lending Coordination Mechanism (the Coordination Mechanism) on February 11 to discuss ways for the industry to extend greater support to SME customers in light of the latest developments. Support strategies of participating banks include:

- Continue to proactively offer to **delay repayments or extend loan tenors**, and to reduce fees to reduce the cash flow pressures facing SMEs. Some banks also provide unsecured loan products for SMEs to help improve their cash flow and have made special arrangements to expedite loan approvals.
- For the **import and export sector**, banks have extended the repayment period of trade financing facilities to align with the prolonged trade cycle and allowed customers to convert trade financing lines into temporary overdraft facilities.

- For the **transportation sector**, banks have offered repayment holidays or principal moratoriums to some affected customers, including taxi and minibus operators.

On April 3, HKMA and the Hong Kong Mortgage Corporation Insurance Ltd. (HKMCI) put forward another round of initiatives to further support SMEs in addressing cash-flow pressure. They include:

- Introducing a series of measures aimed at **increasing the banking sector's liquidity** and encouraging banks to deploy their liquidity buffers more flexibly to support lending and other business activities.
- Reducing the current level of regulatory reserves by half to **release a total of \$200 billion of lending capacity**, providing banks with more room on their balance sheets to cater for future financing needs.
- Asking banks to consider arrangements to **automatically offer extensions of loan tenor or principal repayment holidays** to qualified SMEs without requiring them to make an application.
- Banks say they will allow SME customers in the import-export and manufacturing sectors facing cash-flow pressure due to delays in shipments to further **extend the repayment period of trade financing facilities**. They will also consider allowing more customers to apply to **convert trade financing lines into temporary overdraft facilities** so that customers can manage their cash flow more flexibly.

HKMA and the Coordination Mechanism on **April 17** announced the launch of the **Pre-approved Principal Payment Holiday Scheme** for eligible corporate customers. The scheme is estimated to cover more than 80 per cent of all corporate borrowers in Hong Kong. Eligible customers do not need to apply. They only need to contact the bank within 14 days of the bank's notice about their eligibility to confirm the detailed arrangements of the principal payment holiday.

Relief measures for airport community

On March 23, the Government and the Airport Authority Hong Kong (AA) jointly announced a \$1 billion (US\$128 million) package of relief measures for the aviation industry, comprising a Government waiver of \$670 million (US\$86 million) for Air Traffic Control Charges in 2019-20 for the AA and \$330 million (US\$42 million) in contributions from the AA. The effective period of various relief measures is from February to June 2020, with over 400 companies expected to benefit. Measures include:

- Full waiver for five months for airlines on **parking and airbridge fees for idle passenger aircraft**.
- 40 per cent **reduction of passenger aircraft landing charges** for four months.
- Full waiver for four months of **commercial service counter licence fees, in-terminal service licence fees, and fees paid by cross-border transport operators**.
- **Rental of offices and lounges in the terminal and franchise fees for aviation support services** will be reduced by 10 per cent to 50 per cent for three to four months.
- **Rental concession for airport shops and restaurants paying a fixed rent** of 70 per cent for three months from March to May and 50 per cent in June.
- **\$50 million** (US\$6.4 million) training allowance to frontline airport **staff** who are **on no-pay leave**, with a view to encouraging staff to enhance competencies and skills.

The AA introduced two rounds of relief measures in September 2019 and February 2020 respectively, amounting to about \$1.6 billion (US\$205 million). The measures in the past two rounds include rental concessions, reduction or waiver of fees, providing support to various business partners such as airlines, ramp handlers, retail tenants, restaurants and franchisees.

On April 8, the AA announced the fourth round of relief package worth up to \$2 billion (US\$256 million) to support airlines and aviation support services operators through easing their liquidity pressure. It will offer to purchase around 500,000 air tickets in advance from the four home-based airlines and provide an option for aviation support services operators at Hong Kong International Airport to sell their ground services equipment to the AA.

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