

Budget initiatives to support business, reboot the economy

In his 2021-22 Budget today (February 24), the Financial Secretary, Mr Paul Chan, proposed wide-ranging measures to help enterprises weather the current economic difficulties and prepare for a post-pandemic recovery.

The Financial Secretary set out various initiatives to reinforce the competitiveness of the city's backbone industries, including financial services, innovation and technology (I&T) and tourism.

"This will not only bring new impetus to our industries, but also enable them to have a more dynamic, diverse and interactive development," Mr Chan said.

With many businesses severely affected by a drop in consumer spending during the pandemic, Mr Chan announced that the Government would issue electronic consumption vouchers to help stimulate the economy and "facilitate the speedy recovery of the consumption market.

"I will issue electronic consumption vouchers in instalments with a total value of \$5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above, so as to encourage and boost local consumption," he said, adding that the measure would involve a financial commitment of about \$36 billion and benefit around 7.2 million people.

The Government, Mr Chan said, will identify suitable stored value facility operators to help roll out the scheme, with more details to be announced as soon as possible.

The Financial Secretary also detailed a package of business relief measures totalling about \$9.5 billion, which include:

- * reducing profits tax for the year of assessment 2020-21 by 100 per cent, subject to a ceiling of \$10,000, benefitting 128 000 businesses;
- * providing rates concessions for non-domestic properties for four quarters of 2021-22, subject to a ceiling of \$5,000 per quarter in the first two quarters and a ceiling of \$2,000 per quarter in the remaining two quarters, for each rateable property. This is estimated to involve 420,000 non-domestic properties;
- * waiving the business registration fees for 2021-22, benefitting 1.5 million business operators;
- * continuing to waive 75 per cent of water and sewage charges payable by non-domestic households for eight months starting from April 2021, subject to a monthly ceiling of \$20,000 and \$12,500 respectively per household; and

* continuing to grant the 75 per cent rental or fee concession currently applicable to eligible tenants of government properties and eligible short-term tenancies and waivers under the Lands Department for six months starting from April 2021.

To ease cash flow pressure on SMEs, the Financial Secretary extended until end-2021 the application period for the Special 100 per cent Guarantee Product, raised the loan ceiling from \$5 million to \$6 million, extended the maximum repayment period from five years to eight years, and extended the maximum duration of principal moratorium from 12 months to 18 months.

As regards the positioning and direction for Hong Kong's economic development, Mr Chan said from the perspective of industries, Hong Kong has huge development potential in areas including financial services, I&T, the green economy, air cargo, supply chain management and professional services.

Sector-specific initiatives include:

Financial Services

- * issue no less than \$24 billion of Silver Bonds and no less than \$15 billion of iBonds this year, and lower the eligible age for Silver Bond subscription from 65 to 60;
- * issue green bonds totalling \$175.5 billion within the next five years, and plan to issue retail green bonds;
- * roll out Green and Sustainable Finance Grant Scheme to subsidise expenses on bond issuance and external review services;
- * strive to launch Southbound Trading of Bond Connect within this year, and enhance the domestic Central Moneymarkets Unit;
- * provide a subsidy for Real Estate Investment Trusts to list in Hong Kong;
- * launch a Pilot Insurance-linked Securities Grant Scheme to subsidise issuance costs;
- * provide a subsidy for Open-ended Fund Companies to set up in or re-domicile to Hong Kong; and
- * review tax arrangements relevant to family office businesses.

Innovation and Technology

- * earmark over \$200 million for a "Knowing More About IT" Programme, subsidise primary schools to enhance students' interests and knowledge in IT and their application;

* regularise the pilot scheme which subsidises students studying science and technology in local universities to enrol in short-term I&T related internships; and

* inject \$9.5 billion into the Innovation and Technology Fund in annual instalments over the next two years.

Tourism

* earmark \$169 million for local cultural, heritage and creative tourism projects;

* allocate \$765 million to support the Hong Kong Tourism Board (HKTB) in reviving the tourism industry;

* HKTB to conduct a comprehensive review of the positioning of Hong Kong's tourism, and formulate strategies to spur the industry's recovery;

* consider reviving local group tours, provided that public health can be safeguarded; and

* work out Air Travel Bubble arrangements with suitable places.

Pledging to inject an additional \$1 billion into the CreateSmart Initiative, the Financial Secretary said that total expenditure on developing arts and culture in 2021-22 would exceed \$5.7 billion.

To assist local businesses in exploring new markets, Mr Chan will inject \$1.5 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales and increase the enterprise funding ceiling from \$4 million to \$6 million, and expand its geographical coverage.

"As an international metropolis that connects the world, Hong Kong can help the expansion of the country's external circulation, and in consequence, further strengthen its status as an international centre for finance, commerce and trade, as well as a home for corporate headquarters," Mr Chan said.