

Budget Speech by the Financial Secretary (2)

Fighting the Virus Together

23. The COVID-19 epidemic starting from early 2020 has affected people's livelihood and the economy. In response to this, the Government promptly set up the Anti-epidemic Fund (AEF) to provide appropriate financial assistance for the affected individuals and businesses.

24. I am deeply grateful to the Finance Committee of the Legislative Council (LegCo) for promptly approving a further injection of \$27 billion into the AEF last Tuesday, so that the sixth round of measures can be introduced under the AEF. These measures include providing support for the first time for the temporarily unemployed, with \$3 billion earmarked for granting a subsidy of \$10,000 to each eligible person. I believe that the latest round of relief measures can help the public meet their imminent needs. Counter-cyclical measures were also launched in my previous two Budgets. These measures, together with the relief measures under the AEF, involved a total financial commitment of over \$460 billion.

25. Besides, government departments have also devoted substantial resources to fighting the epidemic, including providing isolation facilities at Penny's Bay and other appropriate locations, setting up a temporary hospital at the AsiaWorld-Expo, launching the vaccination programme, providing testing services and increasing the supply of medications, medical equipment etc., involving a total of over \$24 billion.

Stepping up Anti-epidemic Efforts

26. Fighting the epidemic is our overriding mission at present. The Government will mobilise all available manpower and resources to contain and stabilise the epidemic. I will once again allocate substantial additional resources in the new financial year, including:

(a) an additional funding of about \$22 billion for the Food and Health Bureau (FHB) to strengthen testing work, procure rapid antigen test kits and relevant services, and provide additional support for the Hospital Authority (HA);

(b) an additional funding of \$6 billion for the Department of Health to procure more vaccines as booster doses for the general public;

(c) an additional funding amounting to about \$7 billion in total for relevant departments to procure anti-epidemic items and services, implement anti-epidemic measures, etc.;

(d) a total additional funding of \$500 million to be allocated within two years for the Food and Environmental Hygiene Department (FEHD) to enhance environmental hygiene services, particularly strengthening the street cleansing and refuse collection services, stepping up measures on rodent control and improving the hygiene of public markets in response to the

epidemic. Meanwhile, the FEHD will strengthen inspections and enforcement actions to raise the community's awareness about hygiene; and
(e) a further injection of \$12 billion into the AEF for the construction of various anti-epidemic related facilities.

27. Besides, I have earmarked \$20 billion for other potential anti-epidemic needs. We will provide full support to fight the epidemic should more resources be required.

Relieving People's Hardship

28. To provide support for members of the public who have been affected by the epidemic, I will introduce the following one-off measures:

(a) reducing salaries tax and tax under personal assessment for the year of assessment 2021/22 by 100 per cent, subject to a ceiling of \$10,000. The reduction will be reflected in the final tax payable for the year of assessment 2021/22. This measure will benefit 2.01 million taxpayers and reduce government revenue by \$13.1 billion;

(b) providing rates concession for domestic properties for four quarters of 2022-23, subject to a ceiling of \$1,500 per quarter in the first two quarters and a ceiling of \$1,000 per quarter in the remaining two quarters for each rateable property. This measure is estimated to involve 2.99 million domestic properties and reduce government revenue by \$11.7 billion;

(c) granting each eligible residential electricity account a subsidy of \$1,000. This measure will involve an expenditure of about \$2.8 billion and benefit around 2.8 million residential households;

(d) providing an allowance to eligible social security recipients, equal to one half of a month of the standard rate Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance. This measure will involve additional expenditure of about \$2,384 million. Similar arrangements will apply to recipients of the Working Family Allowance, involving additional expenditure of about \$117 million; and

(e) paying the examination fees for school candidates sitting for the 2023 Hong Kong Diploma of Secondary Education Examination, incurring \$149 million.

29. We will also lower the threshold for the Public Transport Fare Subsidy Scheme from \$400 to \$200 from May to October this year. The Government will provide commuters with a subsidy amounting to one-third of their actual monthly public transport expenses in excess of \$200, subject to a maximum of \$500 per month. With an increase of \$1.08 billion in the subsidy amount, it is estimated that the scheme will benefit about 3.8 million commuters per month.

30. Moreover, I propose to provide a tax deduction for domestic rental expenses starting from the year of assessment 2022/23 so as to ease the burden of renting a private property on taxpayers liable to salaries tax and tax under personal assessment who are not owners of domestic properties, subject to a deduction ceiling of \$100,000 for a year of assessment. It is expected that government revenue will be reduced by \$3.3 billion. We plan to introduce a bill into the LegCo for scrutiny in the second quarter of this

year.

31. The 100% Personal Loan Guarantee Scheme rolled out last year has helped a lot of people. I will extend the scheme for one year until the end of April next year. The maximum loan amount per applicant will increase from six times to nine times of his/her average monthly income during employment, and the ceiling will increase from \$80,000 to \$100,000. In addition, the maximum repayment period under the scheme will be extended from six years to 10 years, whereas the maximum duration of principal moratorium will be extended from 12 months to 18 months. The Hong Kong Monetary Authority (HKMA) and the lending institutions will also enhance the flexibility of the scheme to assist those with income substantially reduced under the epidemic.

32. To strengthen support for e-learning, the Quality Education Fund has set aside \$2 billion to launch a three-year programme starting from this school year, under which subsidies will be provided to schools to purchase mobile computer devices and portable Wi-Fi devices for loan to needy students. This initiative will facilitate the learning of students from grassroots families during the epidemic.

Supporting Enterprises

33. During this critical juncture of fighting the epidemic, we must take all necessary measures to preserve the vitality of the economy, in particular the survival of SMEs, and strive to safeguard jobs. I will take measures to ease the operating pressure of businesses and enhance the cash flow support for them.

34. For easing the operating pressure of businesses, I propose:

(a) reducing profits tax for the year of assessment 2021/22 by 100 per cent, subject to a ceiling of \$10,000. The reduction will be reflected in the final tax payable for the year of assessment 2021/22. This measure will benefit 151 000 businesses and reduce government revenue by \$1.2 billion;

(b) providing rates concession for non-domestic properties for four quarters of 2022-23, 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 measure is estimated to involve 430 000 non-domestic properties and reduce government revenue by \$3.4 billion;

(c) waiving the business registration fees for 2022-23. This measure will benefit 1.5 million business operators and reduce government revenue by \$3 billion;

(d) continuing to waive 75 per cent of water and sewage charges payable by non-domestic households for eight months until 30 November 2022, subject to a monthly ceiling of \$20,000 and \$12,500 respectively per household. This measure will benefit 250 000 non-domestic households and reduce government revenue by \$680 million;

(e) extending the waivers/concessions of the existing 34 groups of government fees and charges for 12 months starting from October this year. This measure will benefit a wide range of sectors (such as aviation, maritime, logistics, retail, catering, agriculture and fisheries, construction, tourism and

entertainment) and will reduce government revenue by about \$1.7 billion; and (f) continuing to grant the 75 per cent rental or fee concession currently applicable to eligible tenants of government premises and eligible short-term tenancies and waivers under the Lands Department for six months until 30 September 2022. During the period, tenants who have to close their properties at the request of the Government will continue to receive full rental waiver for the duration of the closure. This will reduce government revenue by \$1.4 billion.

35. As regards enhancing the cash flow support for businesses, I will extend the application period of all guarantee products under the SME Financing Guarantee Scheme (SFGS) for one year to the end of June next year. The Special 100% Loan Guarantee under the SFGS will also be further enhanced by increasing the maximum loan amount per enterprise from the total amount of employee wages and rents for 18 months to that for 27 months with the loan ceiling raised from \$6 million to \$9 million, and by extending the maximum repayment period from eight years to 10 years.

36. Besides, I have requested the HKMA to extend the Pre-approved Principal Payment Holiday Scheme through the Banking Sector SME Lending Coordination Mechanism for six months to the end of October this year. At the same time, the HKMA and the banking sector will offer enterprises the option of making partial repayment of principal over a longer period of time. This arrangement will also apply to the loans granted under the SFGS.

37. To help small and medium-sized exporters secure export financing from banks more easily, the Hong Kong Export Credit Insurance Corporation (ECIC) plans to launch the Export Credit Guarantee Programme on a pilot basis in March this year, under which the ECIC will guarantee up to 70 per cent of the export financing of their policyholders, subject to a maximum limit of \$50 million. In addition, to encourage exporters to take larger orders from overseas buyers, the ECIC will introduce the "Flexible Indemnity Ratio" arrangement in the second half of this year to enhance insurance coverage for exporters. This measure is expected to benefit about 2 400 policyholders.

Job Creation

38. To ease the unemployment situation due to the epidemic and the anti-epidemic measures, the Government has earmarked total funding of \$13.2 billion under the AEF to create time-limited jobs in the public and private sectors. As at end-2021, some 60 000 jobs were created under the two rounds of the Job Creation Scheme, of which about 45 000 jobs were filled. We have earmarked an additional funding of \$6.6 billion in the latest round of AEF injection for the creation of another 30 000 time-limited jobs.

Issuing Consumption Vouchers

39. Last year, we implemented the consumption voucher scheme for the first time. With the help and concerted efforts of various parties, the scheme was effective in boosting the market sentiment, stimulating local consumption, and speeding up economic recovery. It has also promoted the extensive use of

electronic payment. The new wave of epidemic has disrupted the pace of economic recovery. With last year's experience, I will implement a new round of consumption voucher scheme, under which electronic consumption vouchers with a total value of \$10,000 will be disbursed by instalment to each eligible Hong Kong permanent resident and new arrival aged 18 or above through suitable stored value facilities. The scheme is expected to benefit about 6.6 million people.

40. I fully understand that this wave of epidemic has seriously affected various sectors and the public. In order to relieve the burden of the people and different merchants, I will make a special arrangement, under which consumption vouchers valued at \$5,000 will be disbursed in April to over 6.3 million successful registrants first by making use of the registration data collected through last year's consumption voucher scheme. They will get the remaining vouchers by instalments together with the new eligible persons in the middle of the year. In this regard, the Government will, in moving the Vote on Account Resolution, inform the LegCo that the funding allocation for the consumption voucher scheme may be used upon passage of the Resolution. I hope that the scheme will inject impetus to the market when the epidemic is stabilised so as to accelerate economic recovery, and further encourage the public and merchants to use electronic payment which will promote the development of digital economy.

41. The entire scheme will incur about \$66.4 billion of financial commitment. We will announce the details as soon as possible.

(To be continued.)