

Budget Speech by the Financial Secretary (3)

Riding Out the Crisis Together

23. In view of the tough economic environment, we will adopt an expansionary fiscal stance and make optimal use of our fiscal reserves to implement counter-cyclical measures, with the objective of “supporting enterprises, safeguarding jobs, stimulating the economy and relieving people’s burden”, so as to help Hong Kong tide over the difficulties.

24. Hong Kong’s economy has seen negative growth since the second half of 2019. I have since August last year announced four rounds of support measures targeted at enterprises and individuals, involving a total of over \$30 billion.

Overcoming Current Challenges

25. Since January 2020, Hong Kong has come under the threat posed by the novel coronavirus outbreak, which further dealt a blow to the economy. We must take decisive measures to tackle the situation.

26. The Government earlier announced the setting up of a \$30 billion Anti-epidemic Fund to implement 24 measures to further enhance our capability in combating epidemic and provide assistance to enterprises and members of the public. To provide further relief to the community, I will implement the following measures.

Support Enterprises and Safeguard Jobs

27. For enterprises, new relief measures include:

(a) introducing a concessionary low-interest loan under the SME Financing Guarantee Scheme, under which 100% guarantee will be provided by the Government. The application period will last for six months. The maximum amount of loan for eligible enterprises is based on their salary and rental expenditures for six months, subject to a ceiling of \$2 million. The repayment period is up to three years and, on an opt-in basis, a principal moratorium is available for the first six months during which only interest payments have to be made. The Government will provide guarantee of up to \$20 billion under this concessionary loan scheme;

(b) reducing profits tax for the year of assessment 2019/20 by 100 per cent, subject to a ceiling of \$20,000. The reduction will be reflected in the final tax payable for the year of assessment 2019/20. This will benefit 141 000 taxpayers and reduce government revenue by \$2 billion;

(c) waiving rates for non-domestic properties for four quarters of 2020-21, subject to a ceiling of \$5,000 per quarter in the first two quarters and a ceiling of \$1,500 per quarter in the remaining two quarters for each rateable

non-domestic property. This proposal is estimated to benefit 420 000 non-domestic properties and reduce government revenue by \$3.2 billion;

(d) waiving the business registration fees for 2020-21. This will benefit 1.5 million business operators and reduce government revenue by \$3 billion;

(e) waiving the registration fees for all annual returns (except for late delivery) charged by the Companies Registry for two years. This will benefit about 1.4 million companies and reduce related revenue by about \$212 million in total; Moreover, I will continue to implement the following measures:

(f) providing a subsidy to each eligible non-domestic household accounts 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. This will involve an expenditure of about \$2.9 billion;

(g) 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. This will reduce government revenue by \$340 million;

(h) providing a new round of rental subsidy for six months to local recycling enterprises. This will involve an expenditure of about \$100 million;

(i) reducing rental by 50 per cent for another six months for eligible tenants of government properties, government land and EcoPark. This will reduce government revenue by \$573 million;

(j) reducing rental and fees by 50 per cent for another six months for eligible operators of properties covered by short-term waivers. This will reduce government revenue by \$265 million;

(k) 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. This will reduce government revenue by \$23 million; and

(l) offering another six months of fees and rent reduction for cruise lines and existing tenants of the Cruise Terminal. This will reduce government revenue by \$18 million.

28. The above initiatives will cost a total of \$18.3 billion. I hope that they will not only help support our enterprises but also safeguard jobs for more than three million workers. I appeal to all employers and employees to stand together to ride out the difficult times.

Support Employees

29. In light of the deteriorating employment situation, I will provide an additional annual funding of \$30 million to enhance the employment programmes of the Labour Department, with a view to further encouraging employers to hire the elderly, young people and persons with disabilities. These initiatives include raising the ceiling of the on-the-job training allowance payable to employers under the Employment Programme for the Elderly and

Middle-aged, the Youth Employment and Training Programme as well as the Work Orientation and Placement Scheme. The enhanced measures are expected to be implemented in the second half of this year and benefit some 4 000 persons annually.

30. The Employees Retraining Board (ERB) will enhance the new tranche of the Love Upgrading Special Scheme to be launched in July this year and provide about 10 000 additional places, in order to provide training and allowance for employees affected by the economic downturn. The ERB will also, through legislative amendment, increase the maximum amount of monthly allowance of each eligible trainee from \$4,000 to \$5,800. This initiative will benefit over 40 000 trainees annually and incur an additional expenditure of about \$2.5 billion.

31. The Construction Industry Council (CIC) will draw \$200 million from its levy income to provide around 6 000 eligible small and medium-sized contractors and registered subcontractors with a financial subsidy, capped at \$20,000 each, to tide the industry over the present difficulties. The CIC will also provide training allowances to those underemployed in service workers attending its training courses so as to upgrade their skills.

32. In view of the deteriorating economic and employment conditions as a result of the novel coronavirus epidemic, the Government will provide a one-off special allowance to about 200 000 eligible low-income households under the Anti-epidemic Fund.

Relieve People's Burden

33. I will also introduce the following measures to ease the financial burden of the public:

(a) reducing salaries tax and tax under personal assessment for the year of assessment 2019/20 by 100 per cent, subject to a ceiling of \$20,000. The reduction will be reflected in the final tax payable for the year of assessment 2019/20. This will benefit 1.95 million taxpayers and reduce government revenue by \$18.8 billion;

(b) waiving rates in respect of residential properties for four quarters of 2020-21, subject to a ceiling of \$1,500 per quarter for each rateable property. This proposal is estimated to involve 2.93 million domestic properties and reduce government revenue by \$13.3 billion;

(c) providing an extra allowance to eligible social security recipients, equal to one month of the standard rate Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance. Similar arrangements will apply to recipients of the Work Incentive Transport Subsidy. This will involve an expenditure of about \$4.225 billion;

(d) paying one month's rent for lower income tenants living in public rental units of the Hong Kong Housing Authority and the Hong Kong Housing Society, involving an expenditure of about \$1.829 billion; and

(e) paying the examination fees for school candidates sitting for the 2021 Hong Kong Diploma of Secondary Education Examination, involving an expenditure of about \$150 million.

Cash Payout

34. The social incidents in the past months and the novel coronavirus epidemic have dealt a heavy blow to Hong Kong's economy.

35. In the face of an economic downturn, we expect a decline in government revenue in the coming year. The Government must exercise fiscal prudence to ensure healthy public finance. That said, I believe that the Government should also do a bit more, notwithstanding the fiscal deficit, when we are facing an economic setback and overwhelmed by a heavy atmosphere.

36. After careful consideration, I have decided to disburse \$10,000 to Hong Kong permanent residents aged 18 or above, with a view to encouraging and boosting local consumption on the one hand, and relieving people's financial burden on the other. This measure, which involves an expenditure of about \$71 billion, is expected to benefit about seven million people. The Government will announce the details of the scheme as soon as possible after obtaining funding approval from the Legislative Council (LegCo).

37. I have to emphasise that, although the cash payout scheme involves a huge sum of public money, it is an exceptional measure taken in light of the current unique circumstances and will not, therefore, impose a burden on our long-term fiscal position. I consider that, with ample fiscal reserves, the Government has to increase public expenditure amid an economic downturn to stimulate the economy and ride out the difficult times with members of the public.

(To be continued.)