

# Budget Speech by the Financial Secretary (3)

Riding out the Storm

Fighting the Virus Together

21. It is the Government's top priority to contain the epidemic so that businesses and the public can be back to their daily routines. A high-level Steering Committee cum Command Centre led by the Chief Executive was set up in January 2020 to formulate strategies and measures swiftly in response to the development of the epidemic with a view to achieving the target of zero infection. I would like to extend my heartfelt thanks to those joining the fight against the epidemic, including healthcare staff as well as businesses and individuals who have been supporting the Government's anti-epidemic measures. I will continue to provide adequate resources to fully support the anti-epidemic work.

22. The Government strives to step up surveillance and testing efforts. In order to identify cases in the community as early as possible to help cut the transmission chains, various means are provided to collect specimens up to about 100 000 for testing each day. At present, the actual testing capacity of public and private laboratories in Hong Kong has reached the level of over 100 000 tests per day.

23. The Government has allocated \$4.7 billion from the Anti-epidemic Fund (AEF) to support the anti-epidemic work of the Hospital Authority (HA), ensuring sufficient support and protection for frontline healthcare staff. The Government also provides an additional allocation of \$3,044 million mainly for the HA to establish and operate the Community Treatment Facility at the AsiaWorld-Expo and the Hong Kong Infection Control Centre at the North Lantau Hospital. The former has commenced services in phases since last August, and the latter will commence services from the end of this month.

24. The Government has earmarked over \$8.4 billion for the procurement and administration of COVID-19 vaccines. Our target is to have the majority of the population vaccinated for free within 2021. The COVID-19 Vaccination Programme which started yesterday will provide vaccination for five priority groups of citizens. The Government will seek funding support from the Finance Committee (FC) of the Legislative Council (LegCo) in the end of this month to establish a vaccination indemnity fund with \$1 billion.

Overcoming the Epidemic

25. The AEF is set up to enhance Hong Kong's capability in combating the epidemic and provide relief for industries and members of the public hit hard by the epidemic. The measures launched under the AEF and the relief measures that I put forward in my last Budget involve a total of over \$300 billion, providing an expected support effect of more than five per cent of Gross

Domestic Product (GDP).

26. Having regard to the financial affordability of the Government, I will implement the following measures to continue to support enterprises, safeguard jobs and relieve people's burden.

#### Support Enterprises

27. To support enterprises, I will implement the following measures involving a total of about \$9.5 billion:

(a) reducing profits tax for the year of assessment 2020/21 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 2020/21. This will benefit 128 000 businesses and reduce government revenue by \$1,050 million;

(b) providing rates concession 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 proposal is estimated to involve 420 000 non-domestic properties and reduce government revenue by \$3.4 billion;

(c) waiving the business registration fees for 2021-22. This 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 starting from April 2021, subject to a monthly ceiling of \$20,000 and \$12,500 respectively per household. This will benefit 250 000 non-domestic households and reduce government revenue by \$680 million; and

(e) 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. 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.

28. The Government has introduced a number of enhancements to the SME Financing Guarantee Scheme, including the rollout of the 90% Guarantee Product and the one-year Special 100% Guarantee Product to provide enterprises with low-interest loans or interest subsidies, as well as principal moratorium during which only interest payments have to be made, thus giving them some breathing space for recovery. As at the end of January, a total of \$42.7 billion in loans was approved under the 100% Guarantee Product, benefiting over 20 000 enterprises, involving 260 000 employees. As the epidemic has been lingering on for over one year, in order to continue to relieve the cash flow pressure of small and medium enterprises (SMEs), I will extend the application period of the Special 100% Guarantee Product to the end of this year; further increase the maximum loan amount per enterprise from the total amount of employee wages and rents for 12 months to

that for 18 months and raise the loan ceiling from \$5 million to \$6 million; extend the maximum repayment period from five years to eight years; and extend the maximum duration of principal moratorium from 12 months to 18 months. The Hong Kong Mortgage Corporation Insurance Limited (HKMCIL) will announce the details later.

29. Further to the launching of the Pre-approved Principal Payment Holiday Scheme together with the banking sector in response to the epidemic in May last year, the HKMA announced in November that the scheme would be extended for six months to April 2021 having regard to the ongoing impact of the epidemic on economic activities. Some 120 000 eligible corporate customers are covered by the scheme. Under this scheme and other relief initiatives offered by banks, about 59 000 cases have been approved by banks to support enterprises as at end-January 2021, involving an amount of about \$750 billion.

#### Support Employment

30. Following the allocation of funding to enhance the Love Upgrading Special Scheme run by the Employees Retraining Board (ERB) in last year's Budget, the ERB launched the third tranche of the scheme in January this year to provide training and allowance for 20 000 trainees affected by the economic situation. The Government will ask the ERB to launch the fourth tranche of the scheme in July, which will last for six months until the end of this year, benefiting 20 000 trainees. The ERB will continue to provide more training options under the scheme and more online courses for trainees to engage in distance learning during the epidemic.

31. Having regard to the advancement in technology and changes in learning mode, the Government plans to expand the scope of the Continuing Education Fund to include online courses to provide learners with more diversified ways of continuing learning. At the same time, we will ensure effective supervision over the quality of courses and teaching. The Government will consult the sector with a view to implementing the measure upon commencement of the new school term in September.

32. In 2020-21, the Government created about 31 000 time-limited jobs in the public and private sectors through the AEF. As at end-January, some 16 000 appointments were made. I propose to further allocate \$6.6 billion to create around 30 000 time-limited jobs for a period up to 12 months.

#### Relieve People's Hardship

33. I will also introduce the following one-off measures to alleviate the impact of the economic downturn on the public:

(a) reducing salaries tax and tax under personal assessment for the year of assessment 2020/21 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 2020/21. This will benefit 1.87 million taxpayers and reduce government revenue by \$11.4 billion;

(b) providing rates concession for domestic properties for four quarters of 2021-22, 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 proposal is estimated to involve 2.95 million domestic properties and reduce government revenue by \$11.6 billion;

(c) granting each residential electricity account a subsidy of \$1,000. This measure will involve an expenditure of about \$2.8 billion and benefit over 2.7 million eligible 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 (CSSA) payments, Old Age Allowance, Old Age Living Allowance or Disability Allowance. This will involve additional expenditure of \$2,382 million. Similar arrangements will apply to recipients of the Working Family Allowance and Individual-based Work Incentive Transport Subsidy, involving additional expenditure of \$121 million; and

(e) paying the examination fees for school candidates sitting for the 2022 Hong Kong Diploma of Secondary Education Examination, incurring \$150 million.

34. This prolonged economic downturn has plunged some people into financial difficulties. In view of this, many people have demanded temporary unemployment assistance. The Government has reiterated the policy considerations it has taken into account for not accepting the proposal, and instead provided a time-limited special scheme under the CSSA Scheme to help the unemployed.

35. Considering that many grassroots have been suffering from underemployment amid the epidemic, the Government proposes to relax the working hour requirements under the Working Family Allowance Scheme. Among them, the current basic working hour requirement of not fewer than 144 hours per month for non-single parent households will be substantially lowered by half for one year. The measure will be implemented in June at the earliest subject to FC approval.

36. In order to provide an extra financing option for the unemployed, I suggest setting up a Special 100% Loan Guarantee for Individuals Scheme as a supplementary measure. The Government will offer a guarantee for loans provided under the scheme. The maximum loan amount per applicant is set at six times of his/her average monthly income during employment, subject to a ceiling of \$80,000. There will be a principal moratorium for the first 12 months. Afterwards, the principal and interest can be repaid over a period of up to five years with an interest rate fixed at one per cent per annum. Applicants who have repaid loans in full as scheduled will be offered full reimbursement for the interest paid. Freelancers who provide proof of loss of income may also apply for the loan. The Government will provide a total guarantee commitment of \$15 billion. The application period will last for six months. The Financial Services and the Treasury Bureau (FSTB) will, in collaboration with the HKMCIL, announce the details in due course.

37. Amid the epidemic, the public are increasingly concerned about

environmental hygiene issues such as misconnection and dilapidation of the drainage pipes of buildings. I will earmark \$1 billion to provide subsidies for owners of more than 3 000 old buildings with relatively low rateable values to carry out drainage repair or enhancement works. For buildings with owners having difficulties in organising the works by themselves, such as "three-nil" buildings, the Buildings Department will exercise its power under the Buildings Ordinance to carry out the works in default of their owners in an orderly manner based on the risk profile. The owners concerned may also benefit from the subsidy scheme.

(To be continued.)