FS announces measures to support enterprises and residents

The Hong Kong economy faced significant downward pressure in the second quarter. The situation has turned even more austere in recent months. Externally, the global economic outlook is darkened by high uncertainties, including the escalation of China-US trade tensions, imminent risk of a hard Brexit, continued geopolitical tensions in the Middle East, sluggish industrial and trading activities in Asia, heightening financial market volatilities, and market concerns about major economies slipping into recession. Against this background, the import/export trades, logistics and related sectors will continue to face a difficult environment. Domestically, the recent social incidents have hit the retail trade, restaurants and tourism, adding a further blow to an already-weak economy, and also affected the international image of Hong Kong. A total of 29 countries have issued different levels of travel alerts against Hong Kong. International credit rating agencies have also expressed concerns about the situation of Hong Kong. The incentives of tourists travelling to Hong Kong and of businessmen abroad operating businesses and investing in Hong Kong have been affected.

Based on the latest developments and assessments on the outlook, the Hong Kong economy will continue to face an austere environment for the rest of the year. As such, the Government must revise downwards the real growth forecast for the economy in 2019 as a whole to 0 per cent to 1 per cent.

To counter the challenging external and local economic environment, the Financial Secretary, Mr Paul Chan, announced today (August 15) a package of measures to support enterprises, especially small and medium enterprises (SMEs), to safeguard jobs and relieve people's financial burden.

(A) Support enterprises and safeguard jobs

SMEs account for over 98 per cent of local enterprises and around 45 per cent of total employment, and are the cornerstone of our economy. To assist our SMEs to cope with the operating pressure in the current economic environment, we will introduce the following support measures:

(a) 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. A full list is at Annex A.

(b) 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, 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. A list of these measures is at Annex B.

(c) Implement a fee review moratorium on government fees and charges set on a cost recovery basis with immediate effect until December 31, 2020.

(d) Make further enhancements to the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) and the SME Export Marketing Fund and again provide additional injections into 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. See Annex C for details.

(e) The HKMC Insurance Limited to introduce a new loan guarantee product under the SME Financing Guarantee Scheme (SFGS), under which the Government will provide for a 90 per cent guarantee for approved loans to help individuals looking to set up new businesses, businesses with relatively less operating experience, as well as professionals seeking to set up their own practices, to obtain financing. It will also extend the application period of the special concessionary measures under the SME Financing Guarantee Scheme (SFGS) (i.e. Government to provide for an 80 per cent guarantee for approved loans) and the validity period of the three enhancement measures introduced last year to 30 June 2022.

(f) Continue to explore room for increasing or expediting minor works projects both to meet public needs and to create more employment opportunities for the construction sector. For example, we will advance the implementation of the second phase of the Pier Improvement Programme, which enhances the structural and facility standard of public piers in remote areas to facilitate public access to remote villages, scenic spots and natural heritages. An Enhancement to the existing Building Maintenance Grant Scheme for Elderly Owners, an Operation Building Bright 2.0, a Lift Modernisation Subsidy Scheme, and a Fire Safety Improvement Works Subsidy Scheme will also be considered.

(g) The Employees Retraining Board will plan for specific training programmes to assist unemployed/under-employed workers in trades suffering from the downturn to upgrade their skills to increase their competitiveness and provide special allowance. Details will be provided by the Board.

(B) Relieve people's burden

To ease the financial burden of the people, the Government will implement the following measures:

(a) Further to the proposal in the 2019-20 Budget to reduce salaries tax, tax under personal assessment and profits tax for the Year of Assessment 2018/19 by 75 per cent subject to a ceiling of $20,000, to increase the reductions to 100 per cent while retaining the ceiling of $20,000. About 1.43 million taxpayers (of which 1.33 million taxpayers will have all taxes waived) will benefit from a further saving of $1.84 billion.

(b) Provide an extra allowance to social security recipients, equal to one month of the standard rate Comprehensive Social Security Assistance (CSSA) payments, Old Age Allowance, Old Age Living Allowance or Disability

Allowance. Similar arrangements will apply to recipients of the Working Family Allowance and individual-based Work Incentive Transport Subsidy. This will cost about $4 billion.

(c) Provide a subsidy to kindergarten, primary and secondary day-school students in Hong Kong at $2,500 per head in the 2019/20 school year to alleviate parents’ financial burden in defraying education expenses. This will cost about $2.3 billion and benefit over 900,000 students.

(d) Pay one month's rent for lower income tenants living in the public rental units of the Hong Kong Housing Authority and the Hong Kong Housing Society. This will cost about $1.4 billion.

(e) Provide a one-off electricity charge subsidy of $2,000 to each residential electricity account. This will cost about $5.6 billion and benefit over 2.7 million eligible households.

(f) Invite the Community Care Fund to consider providing a one-off living subsidy for low-income households not living in public housing and not receiving CSSA (commonly known as the "N have-nots").

(g) Hong Kong Housing Authority, Airport Authority Hong Kong, Construction Industry Council, Hong Kong Science and Technology Parks Corporation as well as the Cyberport are also formulating relief proposals. Details will be announced by these bodies separately.

Details of the expenditure measures in (b) to (e) above are in Annex D.

"The package of helping measures to support enterprises and relieve people’s financial burden, excluding public works expenses, will cost a total of about $19.1 billion," said Mr Chan. "Together with one-off relief measures announced in the 2019-20 Budget, which cost $42.9 billion, they will provide impetus for our economy and help cushion the enterprises and people of Hong Kong against challenges arising from economic uncertainties."

(C) Timing for implementation

Amongst the 27 groups of fee waiver proposals, the adjustment of 19 groups of fee items will require subsidiary legislation subject to negative vetting by the Legislative Council (LegCo). We will put the subsidiary legislation to LegCo in October 2019.

We will also seek funding approval from LegCo as soon as possible for helping measures that require additional resources.

We will propose amendments to the Inland Revenue (Amendment) (Tax Concessions) Bill 2019 in October 2019 to implement the abovementioned enhanced tax concession proposal. Tax demand notes for Year of Assessment 2018/19 will be issued by the Inland Revenue Department after passage of the Bill by LegCo.

"Relevant bureaux and departments will follow up on the implementation of the above package of measures in full speed so that the enterprises, especially SMEs, and the public can benefit early," said Mr Chan.