

FS unveils \$120 billion spending plan to support enterprises, safeguard jobs, stimulate the economy and relieve people's burden

The Financial Secretary, Mr Paul Chan, in his 2020-21 Budget today (February 26), announced a wide range of measures to help Hong Kong tackle the current economic difficulties and to support the community during challenging times by making optimal use of the fiscal reserves.

"2019 was an unsettling year fraught with obstacles," Mr Chan said.

"Entering 2020, the rapid spread of the novel coronavirus has dealt a severe blow to economic activities and sentiment in Hong Kong."

Mr Chan said Hong Kong's economy contracted by 1.2 per cent in 2019, and he forecast full-year growth of between -1.5 per cent and 0.5 per cent in 2020.

"Therefore, I have decided to implement counter-cyclical measures of a massive scale involving above \$120 billion so as to meet the public's expectations as far as possible," Mr Chan said.

Mr Chan forecast a budget deficit of about \$37.8 billion for the 2019-20 financial year, rising to about \$139.1 billion in 2020-21. Fiscal reserves are expected to be \$1,133.1 billion by March 31, 2020.

"Although a record high deficit is envisaged in next year's budget, I believe that only with such a budget can we help our community and local enterprises ride out their difficulties," Mr Chan said.

To stimulate the economy by boosting local consumption and relieve the financial burden on the community, Mr Chan announced a cash payout of \$10,000 to Hong Kong permanent residents aged 18 or above.

"This measure, which involves an expenditure of about \$71 billion, is expected to benefit about 7 million people," Mr Chan said.

Additional relief measures include:

* Reducing salaries tax and tax under personal assessment for 2019-20 by 100 per cent, subject to a ceiling of \$20,000. This will benefit 1.95 million taxpayers and reduce government revenue by \$18.8 billion;

* Waiving rates for residential properties for four quarters of 2020-21, subject to a ceiling of \$1,500 per quarter for each rateable property. This

would involve about 2.93 million domestic properties and reduce government revenue by \$13.3 billion;

* Providing an extra allowance to eligible social security recipients, equal to one month's standard rate payment of Comprehensive Social Security Assistance, 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;

* 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

* 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.

To safeguard jobs and support enterprises, Mr Chan set aside a total of \$18.3 billion to implement a raft of measures. They include:

* Introducing a concessionary, low-interest loan under the SME Financing Guarantee Scheme, under which a 100 per cent guarantee will be provided by the Government;

* Reducing profits tax for 2019-20 by 100 per cent, subject to a ceiling of \$20,000. This will benefit 141 000 taxpayers and reduce government revenue by \$2 billion;

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

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

* Waiving the registration fees for all annual returns (except for late delivery) charged by the Companies Registry for two years, benefiting about 1.4 million companies and reducing related revenue by about \$212 million in total;

* Providing a subsidy to each eligible, non-domestic household account 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;

* 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;

* Providing a six-month rental subsidy to local recycling enterprises, involving expenditure of about \$100 million;

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

* Reducing rentals and fees for eligible operators of properties covered by short-term waivers by 50 per cent for another six months. This will reduce government revenue by \$265 million;

* Providing hirers of civic centres under the Leisure and Cultural Services Department with a 50 per cent reduction of hire charges for another six months. This will reduce government revenue by \$23 million; and

* 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.

The budget also allocates about \$2.5 billion of additional expenditure to the Employees Retraining Board to increase the maximum amount of monthly allowance for trainees.

"I am well aware that financial resources alone are not enough to tackle the challenges we are facing," Mr Chan said.

"However, making good use of fiscal reserves to support enterprises and relieve people's hardship is certainly in line with our people's expectations towards the Government under the current difficult environment."