

Business support measures amid economic challenges

Overview

The COVID-19 epidemic has raged for nearly three years. Its impact on Hong Kong as a highly open economy is particularly evident. The Government has provided financial assistance to individuals and business affected by the pandemic via the counter-cyclical measures in the 2020-21 and 2021-22 Budgets as well as the Anti-Epidemic Fund (AEF) measures, involving a total of over \$460 billion (about US\$59 billion). The 2022-23 Budget announced counter-cyclical measures to relieve people's hardship, committing a total funding of over \$170 billion (about US\$21.8 billion), and allocate substantial additional resources to step up anti-epidemic efforts.

2022 Policy Address

The Chief Executive delivered the 2022 Policy Address, entitled "Charting a Brighter Tomorrow for Hong Kong", on October 19, 2022. Measures to support enterprises include:

- Extend the **Convention and Exhibition Industry Subsidy Scheme** to end-June next year. Launch a **new \$1.4 billion scheme** thereafter to stage over 200 exhibitions in Hong Kong over three years;
- Extend **the Pre-approved Principal Payment Holiday Scheme** for another six months; **reduce water and sewage charges** for non-domestic accounts for another eight months; and provide **rental or fee concessions** to tenants of government premises and short-term tenancies for another six months;
- Raise the funding ceiling per enterprise under the **Dedicated Fund on Branding, Upgrading and Domestic Sales** and the **SME Export Marketing Fund** to \$7 million and \$1 million.

2020 Policy Address

The Chief Executive delivered the 2020 Policy Address on November 25, 2020 and announced the provision of **close to \$600 million of additional support to further help the tourism industry**, which has been among the hardest hit by the pandemic, to tide the industry over the prolonged challenges in the future. The additional support measures include providing each **licensed travel agent** with a **cash subsidy**; providing each **travel agent's staff member** and **freelance accredited tourist guide and tour escort**, whose main occupation is tourist guide and tour escort, a **one-off subsidy of \$15,000**; and providing each **driver of a tour service coach** mainly serving tourists a **one-off subsidy of \$6,700**.

Various measures were also announced in the Policy Address to foster job opportunities in certain sectors:

- **Green industry:** The Government will invest in a series of environmental projects in the next few years, creating an estimated 4,000 job opportunities in sectors such as scientific research, architecture and engineering, recycling and transport;

- **Construction industry:** In addition to the planned large-scale projects, various works departments will press ahead with renovation, repair and maintenance works for various government buildings and facilities, and expedite the refurbishment and minor improvement works of public markets;
- **Innovation and technology (I&T) industry:** The Government will provide wage subsidies for Hong Kong technology companies to hire employees to work and gain experience in the Mainland cities of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA);
- **Property management industry:** The Government is collaborating with large property management companies and will subsidise them to employ more young people interested in pursuing their career in property management;
- **Creative industries:** The Government will make good use of various funds which support the development of films, design, culture and arts as well as Art Tech. It will also consider providing wage subsidies to attract more newcomers who aspire to pursue a career in the creative industries;
- **Legal profession:** As an international legal hub and centre for dispute resolution services, coupled with the recent implementation of liberalisation measures for legal professional services in the GBA, there is a need for Hong Kong to nurture more legal talents.

The Government has launched the **Greater Bay Area Youth Employment Scheme** to encourage enterprises with operation in both Hong Kong and the GBA to recruit and deploy local university graduates to work in the Mainland cities of the GBA. The scheme provides 2,000 places.

2022-23 Budget

On February 23, 2022, the Financial Secretary announced counter-cyclical measures in 2022-23 Budget to ease the financial burden on enterprises and people's livelihoods during the COVID-19 pandemic, committing a total funding of over \$170 billion (about US\$21.8 billion). The measures include:

- **Reducing profits tax** for 2021-22 by 100 per cent, subject to a ceiling of \$10,000;
- Providing **rates concessions for non-domestic properties** in 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;
- **Waiving business registration fees** for 2022-23;
- Continuing to waive 75 per cent of **water and sewage charges** payable by each non-domestic household for eight months, subject to a monthly ceiling of \$20,000 and \$12,500 respectively;
- Extend the waivers/concessions of the existing 34 groups of **government fees and charges** for 12 months;
- 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;
- To launch the **Export Credit Guarantee Programme** on a pilot basis, under which the Hong Kong Export Credit Insurance Corporation will guarantee up to 70 per cent of the export financing of the banks' policyholders, subject to a maximum limit of \$50 million;

- Increasing the loan ceiling to \$9 million and extending the maximum repayment period to 10 years of the **Special 100 per cent Loan Guarantee Product** under the SME Financing Guarantee Scheme (SFGS), and extending the Pre-approved Principal Payment Holiday Scheme for six months;
- Propose to introduce legislation to prohibit landlords from terminating the tenancy of or not providing services to tenants of specified sectors for failing to settle rents on schedule, or taking relevant legal actions against them, valid for three months; and impose a moratorium to bar lenders from taking actions against landlords for the latter's failure to make mortgage or other loan repayments in respect of the relevant business premises.

The Budget also announced the implementation of the second round of the **electronic consumption vouchers** with a total value of \$10,000, to be disbursed by instalments to each eligible Hong Kong permanent resident and new arrival aged 18 or above.

2021-22 Budget

On February 24, 2021, the Financial Secretary detailed a package of business relief measures totalling about \$9.5 billion (about US\$1.2 billion) in his 2021-22 Budget to help enterprises weather economic difficulties.

The measures include:

- **Reducing profits tax** for 2020-21 by 100 per cent, subject to a ceiling of \$10,000;
- Providing **rates concessions for non-domestic properties** in 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;
- **Waiving business registration fees** for 2021-22;
- Continuing to waive 75 per cent of **water and sewage charges** payable by each non-domestic household for eight months, subject to a monthly ceiling of \$20,000 and \$12,500 respectively;
- 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;
- Increasing the loan ceiling to \$6 million, extending the maximum repayment period to eight years, and the maximum duration of principal moratorium to 18 months of the **Special 100 per cent Loan Guarantee Product** under the SME Financing Guarantee Scheme (SFGS).

Support for business in 2020-21 Budget

On February 26, 2020, the Financial Secretary unveiled his 2020-21 Budget, which included about \$120 billion (about US\$15 billion) in counter-cyclical measures. Initiatives to support enterprises to cope with the impact of economic downturn and COVID-19 include:

- A **new loan guarantee product** under the SFGS under which **100 per cent guarantee** will be provided by the Government to help SMEs obtain low-interest loans. Eligible enterprises can borrow up to the total amount of employee wages and rent for six months, subject to a ceiling of \$4 million (US\$513,000) and a repayment period of up to three years. Application started on April 20, 2020;
- **Reducing profits tax** for 2019-20 by 100 per cent, subject to a ceiling of \$20,000;
- **Waiving rates for non-domestic properties** for four quarters in 2020-21, subject to a ceiling of \$5,000 per quarter in the first two quarters and \$1,500 per quarter in the remaining two quarters;

- **Waiving business registration fees** for 2020-21;
- **Waiving registration fees** for all annual returns (except for late delivery) charged by the Companies Registry for two years;
- 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;
- 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;
- A **six-month rental subsidy to local recycling enterprises**;
- **Reducing rental by 50 per cent** for another six months for eligible tenants of government properties, government land and the EcoPark;
- **Reducing rentals and fees** for eligible operators of properties covered by short-term waivers by 50 per cent for another six months;
- 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;
- A further six months of **fees and rent reduction for cruise lines** and existing tenants of the Cruise Terminal.

The one-off proposals in the Budget also include a **\$10,000 cash payout** to Hong Kong permanent residents aged 18 or over, with a view to stimulating the local economy by encouraging local consumption.

Anti-epidemic Fund

On February 5, 2020, the Government announced the establishment of a \$10 billion AEF to ease the burden on businesses and the community during the fight against COVID-19. On February 14, the Government announced the fund would be increased. On February 21, the Legislative Council Finance Committee approved the injection of **\$30 billion (US\$3.85 billion)** into the fund, including **\$16.9 billion to support enterprises and safeguard jobs**. Initiatives include:

- One-off subsidy of \$80,000 to each licensed **travel agent**;
- One-off subsidy of \$200,000 to each eligible licensed **restaurant and factory canteen**;
- One-off subsidy of \$80,000 to each eligible licensed **light refreshment restaurant, food factory, bakery, fresh provision shop, and siu mei and lo mei shops**;
- One-off subsidy of \$5,000 to each eligible **licensed hawkker**;
- A subsidy of up to \$80,000 to each licensed **guesthouse**;
- Setting aside \$5.6 billion to provide a **one-off subsidy to each eligible retailer**;
- Setting aside \$3.23 billion to provide comprehensive and continuous financial support to the **various transport trades**;
- Setting aside \$1.02 billion to support the **convention and exhibition industry** by providing subsidies to participants and organisers of major conventions and exhibitions;
- Allocating \$150 million to support the **arts and culture sector** by providing subsidies to arts and cultural groups;
- Setting aside \$380 million to provide a six-month rental waiver for tenants and start-ups at Hong Kong Science Park, Cyberport and industrial estates to support **the I&T sector**;

- Providing subsidies to **training bodies** appointed by the Employees Retraining Board, at a total cost to the Government of about \$90 million.

The validity of **the Convention and Exhibition Industry Subsidy Scheme**, has been extended thrice to run until December 31, 2022. As at end-August 2021, 53 exhibitions has been subsidised, involving subsidy of about \$122 million.

To help the construction industry combat the effects of COVID-19, the Government proposed offering various subsidies to industry stakeholders through the Construction Industry Council, including **a subsidy of \$50,000 to each eligible contractor, subcontractor and consultant to strengthen hygienic control measures**. The Government announced on April 1, 2020, that the beneficiaries of the support measures concerned will be extended to cover workers who are engaged in small-scale works outside construction sites as well as small and medium enterprise (SME) consultants which are company members of professional institutions and associations. Each **eligible worker will receive a subsidy of \$1,000** and each **eligible consultant will get \$20,000**, further **benefitting about 240,000 construction workers and 400 SME consultants**.

\$137.5 billion relief package to support businesses, preserve jobs

On April 8, 2020, the Government announced a package of economic relief measures worth \$137.5 billion (US\$17.6 billion) to help individuals and industries affected by the COVID-19 outbreak. Key initiatives include:

- \$80 billion **Employment Support Scheme** under which wage subsidies will be provided to eligible employers - Capped at \$9,000 per month (i.e. 50 per cent of median monthly wage in Q2 2019 of \$18,000) per employee for six months;
- \$21 billion to provide 16 types of **support for specific sectors**, including catering, education, transport, tourism, construction, etc.;
- Enhancing the **SFGS** - additional expenditure of around \$11.69 billion; additional guarantee commitment of \$30 billion;
- **Easing burden of transport costs**, including support on a 50:50 matching basis for the MTR Corporation to provide a 20 per cent fare discount and relaxing temporarily the monthly threshold of the Public Transport Fare Subsidy Scheme;
- **Deferral of tax payments** for three months;
- Extending the deadline for project completion and/or relax the payment schedules of **government work and non-works contracts** and extend the Building Covenant period by up to six months in land leases.

Third package of anti-epidemic relief measures

On September 15, the Government announced the third package of anti-epidemic relief measures totalling \$24 billion (US\$3.07 billion) to assist industries and people affected by the epidemic and help enhance Hong Kong's anti-epidemic capabilities. The package includes:

- Provision of subsidies to sectors directly affected by anti-epidemic measures or hard-hit by the epidemic, including catering, tourism, aviation and transport, sports, arts and culture, education, etc.;

- Six-month extension of rental concessions or waivers for government premises and short-term tenancies;
- Extension of existing waivers of 27 groups of government fees and charges, and provision of waivers of 7 new groups of government fees and charges, both for 1 year;
- Four extra months of 75 per cent waiver of water and sewage charges of non-domestic households.
- Increased exemption ceiling of rates concession to non-domestic properties for Q3 and Q4 of 2020/21 from \$1,500 to \$5,000 per quarter;
- Inviting Hong Kong Housing Authority, Hong Kong Housing Society, Airport Authority Hong Kong (AA), Hong Kong Science Park and Cyberport to provide rental concessions for non-residential tenants, involving about \$1 billion in total;
- Increased maximum loan amount up to \$5 million and maximum repayment period up to five years of the Special 100 per cent Loan Guarantee Product under the SFGS;
- Subsidy scheme for the promotion of contactless payment in public markets managed by the Food and Environmental Hygiene Department (FEHD).

Further injection of \$6.4 billion into the Anti-epidemic Fund

On December 17, 2020, the Government announced another round of injection into the AEF to provide additional relief to the businesses affected by the further tightened social distancing measures and closure of the scheduled premises. On December 21, the Legislative Council Finance Committee approved the injection of \$6.4 billion (about US\$81.5 million). The relief measures include:

- One-off subsidy of not more than \$500,000 to each eligible catering outlet;
- One-off subsidy of not more than \$100,000 to each beauty parlour or massage establishment;
- One-off subsidy of \$100,000 to each amusement game centre operator, places of amusement licensee, places of public entertainment licence holder, mahjong/tin kau licence holder, fitness centre and sports premises;
- One-off subsidy of \$100,000 per screen to each existing cinema, subject to a ceiling of \$3 million for each cinema circuit;
- One-off subsidy of \$40,000 to each party room.

On April 12, 2021, the Chief Executive announced that the Government would support six types of premises (i.e. bars or pubs, bath-houses, party rooms, clubs or nightclubs, mahjong-tin kau premises and karaoke establishments) that have been closed for business for a relatively long period of time with one more allowance round under the AEF, involving about \$400 million.

The Government allocated a total of \$13.2 billion from the AEF in 2020 and 2021 to create about 60,000 time-limited jobs in the public and private sectors.

Fifth round of anti-epidemic fund measures

On January 14, 2022, the Government announced the fifth round of AEF measures, committing a total funding of about \$3,570 million (about US\$460 million). The measures include:

- One-off subsidy of up to \$250,000 to each eligible catering outlet; a further one-off subsidy of \$25,000 to each catering outlet directed to close whole of its licensed premises;
- One-off subsidy of \$25,000 to each public market cooked food / light refreshment stall tenant, as well as each hawkler licensee operating cooked food business in a public housing development;
- One-off subsidy of up to \$50,000 to each eligible licence holder of a food factory operating in a food court inside a shopping mall;
- One-off ex-gratia payment to each Lunar New Year Fair stall licensee; and one-off ex-gratia payment of \$5,000 to each participating unit of the FARMFEST 2022;
- One-off subsidy of \$50,000 to each eligible commercial bathhouses licensee, amusement game centre operator, e-sports venue operator, internet computer services centre operator, places of amusement licensee, mahjong/tin kau licensee, fitness centre and sports premises;
- One-off subsidy of \$50,000 to each places of public entertainment licence (PPEL) holder; and one-off subsidy of \$10,000 to each temporary PPEL holder;
- One-off subsidy of up to \$1.5 million to each cinema circuit;
- A subsidy of \$50,000 to each eligible holder of a Certificate of Compliance (CoC); and an additional subsidy of \$25,000 to each permit/licence for CoC holder who also operate karaoke establishments, nightclubs or bars/pubs in the clubhouse premises;
- One-off subsidy of up to \$50,000 to each beauty parlour or massage establishment, subject to a ceiling of \$1.5 million for each beauty/massage chain;
- Ex-gratia payment to personnel directly engaged by the LCSD, other eligible sports coaches and staff, instructors as well as speakers; and one-off grant of \$5,000 to each eligible registered sports coach;
- One-off relief grant of \$5,000 to each eligible interest class instructor engaged/planned to be engaged by SWD-subvented organisation;
- One-off subsidy of \$20,000 to each party room (including pleasure vessel);
- One-off subsidy of \$40,000 to each eligible performing arts group, one-off subsidy of \$5,000 to each eligible individual arts practitioner and freelancer, and one-off subsidy of \$50,000 to each eligible company of the performing industry;
- Subsidy of no less than \$50,000 to each travel agent, one-off subsidy of \$7,500 to each travel agents' staff, and freelance accredited tourist guide / tour escort, and one-off subsidy of \$3,350 to each eligible tour service coach driver;
- One-off subsidy of up to \$8 million to each eligible aviation support service operator at Hong Kong International Airport (HKIA);
- One-off non-accountable subsidy of \$30,000 to registered owner of each licensed cross-boundary coach and cross-boundary hire car, and one-off non-accountable subsidy of \$500,000 to operator of each eligible cross-boundary ferry;
- One-off special grant to each aided and non-aided child care centre, one-off grant of up to \$80,000 to each kindergarten and private day school, and one-off relief grant of \$20,000 to each private school offering non-formal curriculum;
- One-off relief grant to each service supplier / service providers of primary / secondary day schools, with an estimated expenditure of \$216.9 million.

Sixth round of anti-epidemic fund measures

On January 27, 2022, the Government announced the sixth round of AEF measures, to support businesses and individuals affected by the pandemic and tightening of the social distancing measures. On February 15, the Legislative Council Finance Committee approved the funding application of **\$27 billion (US\$3.46 billion)** for the sixth round of AFE.

The sixth round of the AEF comprises 48 schemes which are estimated to benefit 67,000 businesses, operators of 40,000 transport tools and 750,000 individuals. The [relief measures](#) belong to the following four categories:

- Relief for **premises that are required to be closed or have their business significantly restricted by the tightening of social distancing measures**, such as catering premises, beauty parlours, massage establishments, fitness centres and cinemas, hair salons and barber shops, etc.;
- Relief for **businesses that are hard hit by the pandemic and indirectly affected by the tightening of social distancing measures**, including the tourism sector, hotels and guesthouses, passenger transport trade, laundry trade, dishware washing trade, employment agencies and local primary producers, etc as well as tenants of specific places, such as PMQ, Jockey Club Creative Arts Centre, Arts Spaces, Hong Kong Science Park, Innoparks and Cyberport;
- Support for **individuals working in the hard-hit business and frontline staff who have been making contributions to anti-epidemic efforts**, including self-employed persons and freelancers of the arts and culture sector and the creative industry, tourist guides and tour escorts, sports/recreation/culture trainers and cross-boundary goods vehicle drivers, frontline cleansing and security staff engaged by governments service contractors or working in private buildings and industrial/commercial properties, frontline airport staff in targeted groups, and staff of residential care homes for the elderly and residential care homes for persons with disabilities;
- Support for the **short-term/temporarily unemployed**, including introducing a further round of the Job Creation Scheme to create an additional 30,000 time-limited jobs in the public and private sectors.

An injection of \$43 billion into the AEF has been approved by the Legislative Council Finance Committee to implement the 2022 Employment Support Scheme to provide wage subsidies to eligible employers for three months. The Government has received 176,000 and 119,000 applications from employers and self-employed persons respectively. It is estimated that the whole scheme will involve a total subsidy of around \$39 billion.

Co-ordinated support from banking industry

The Hong Kong Monetary Authority (HKMA) convened a special teleconference of the Banking Sector SME Lending Coordination Mechanism (the Coordination Mechanism) on February 11, 2020 to discuss ways for the industry to extend greater support to SME customers in light of the latest developments. Support strategies of participating banks include:

- Continue to proactively offer to **delay repayments or extend loan tenors**, and to reduce fees to reduce the cash flow pressures facing SMEs. Some banks also provide unsecured loan products for SMEs to help improve their cash flow and have made special arrangements to expedite loan approvals;

- For the **import and export sector**, banks have extended the repayment period of trade financing facilities to align with the prolonged trade cycle and allowed customers to convert trade financing lines into temporary overdraft facilities;
- For the **transportation sector**, banks have offered repayment holidays or principal moratoriums to some affected customers, including taxi and minibus operators.

On April 3, 2020, HKMA and the Hong Kong Mortgage Corporation Insurance Ltd. put forward another round of initiatives to further support SMEs in addressing cash-flow pressure. They include:

- Introducing a series of measures aimed at **increasing the banking sector's liquidity** and encouraging banks to deploy their liquidity buffers more flexibly to support lending and other business activities;
- Reducing the current level of regulatory reserves by half to **release a total of \$200 billion of lending capacity**, providing banks with more room on their balance sheets to cater for future financing needs;
- Asking banks to consider arrangements to **automatically offer extensions of loan tenor or principal repayment holidays** to qualified SMEs without requiring them to make an application;
- Banks say they will allow SME customers in the import-export and manufacturing sectors facing cash-flow pressure due to delays in shipments to further **extend the repayment period of trade financing facilities**. They will also consider allowing more customers to apply to **convert trade financing lines into temporary overdraft facilities** so that customers can manage their cash flow more flexibly.

HKMA and the Coordination Mechanism on April 17, 2020, announced the launch of the **Pre-approved Principal Payment Holiday Scheme** for eligible corporate customers. The scheme is estimated to cover more than 80 per cent of all corporate borrowers in Hong Kong. Eligible customers do not need to apply. They only need to contact the bank within 14 days of the bank's notice about their eligibility to confirm the detailed arrangements of the principal payment holiday.

Relief measures for airport community

The AA introduced relief measures in February 2020, including rental concessions, reduction or waiver of fees, to relieve the pressure on business operations for the industry due to COVID-19. The measures, together with the previous round of relief measures in September 2019, amounted to about \$1.6 billion (US\$205 million).

On March 23, 2020, the Government and the AA jointly announced a \$1 billion (US\$128 million) package of relief measures for the aviation industry, comprising a Government waiver of \$670 million (US\$86 million) for Air Traffic Control Charges in 2019-20 for the AA and \$330 million (US\$42 million) in contributions from the AA, benefitting over 400 companies. Measures include:

- Full waiver for five months of **parking and airbridge fees for idle passenger aircraft**;
- 40 per cent **reduction of passenger aircraft landing charges** for four months;
- Reduction of ramp handling, maintenance and airside vehicle-related fees for four months;
- Full waiver for four months of **commercial service counter licence fees, in-terminal service licence fees, and fees paid by cross-border transport operators**;

- **Rental of offices and lounges in the terminal and franchise fees for aviation support services** will be reduced by 10 per cent to 50 per cent for three to four months;
- **Rental concession for airport shops and restaurants paying a fixed rent** of 70 per cent for three months from March to May and 50 per cent in June;
- **\$50 million** (US\$6.4 million) training allowance to frontline airport **staff** who are **on no-pay leave**, with a view to encouraging staff to enhance competencies and skills.

On April 8, 2020, the AA announced the fourth round of relief package worth up to \$2 billion (US\$256 million) to support airlines and aviation support services operators through easing their liquidity pressure. It will offer to purchase around 500,000 air tickets in advance from the four home-based airlines and provide an option for aviation support services operators at HKIA to sell their ground services equipment to the AA.

The waivers or reductions of fees for the aviation industry will continue until the end of November 2022. The rental relief for retail and catering tenants is also continued.

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