

# Budget initiatives to ease people's hardship, promote green living

In his 2021-22 Budget, the Financial Secretary, Mr Paul Chan, today (February 24) announced new initiatives to help people overcome hardship during the COVID-19 pandemic, and boost the living environment by building a green and liveable city.

To realise those goals, Mr Chan said the Government's "top priority is to contain the epidemic so that businesses and the public can be back to their daily routines".

To relieve people's hardship and alleviate the impact of the economic downturn, the Financial Secretary announced a series of one-off measures. They include:

- \* Establishing a Special 100% Loan Guarantee for Individuals Scheme, with a maximum loan per applicant set at six times an individual's average monthly income during employment, subject to a ceiling of \$80,000. The interest rate will be fixed at 1 per cent per annum, with a principal moratorium for the first 12 months and a maximum repayment period of five years. Reimbursement for interest paid will be offered after loans are repaid in full as scheduled;

- \* Reducing salaries tax and tax under personal assessment in 2020/21 by 100 per cent, subject to a ceiling of \$10,000;

- \* Providing a rate concession for domestic properties in 2021/22, subject to a ceiling of \$1,500 per quarter in the first two quarters and \$1,000 per quarter in the last two quarters for each rateable property;

- \* Granting each residential electricity account a subsidy of \$1,000;

- \* Giving eligible social security recipients an extra half-month's standard payment allowance for Comprehensive Social Security Assistance, Old Age Allowance and Old Age Living Allowance or Disability Allowance, with similar arrangements for recipients of the Working Family Allowance and the Individual-based Work Incentive Transport Subsidy;

- \* Paying the examination fees for school candidates taking the 2022 Hong Kong Diploma of Secondary Education Examination; and

- \* Earmarking \$1 billion to subsidise drainage repair works in more than 3 000 old buildings.

Despite the fiscal deficit, the Financial Secretary said that the Government would maintain spending in areas related to people's livelihood.

The Government, Mr Chan said, will provide additional recurrent funding of some \$147 million to expand mental health services.

The Government will also develop about 8 800 residential care places and some 2 800 subsidised day-care service places for the elderly in the next few years.

The number of places for on-site pre-school rehabilitation services will be increased from 8,000 in the current school year to 10,000 in the 2022/23 school year.

The Financial Secretary also pledged to "make an injection of \$1.1 billion to the Lotteries Fund to ensure that development projects in respect of much-needed social welfare services premises (particularly major facilities for elderly and rehabilitation services) can proceed as scheduled and that their feasibility studies and detailed design work for such projects will not be affected".

"I also care about developing a quality city for our citizens," Mr Chan said.

To that end, Mr Chan announced that Hong Kong would implement its first roadmap on the popularisation of electric vehicles. He said the Government would cease the new registration of fuel-propelled private cars by 2035, or earlier, while promoting electric vehicles, expanding the charging network and training electric vehicle technical and maintenance practitioners.

To relieve traffic congestion, Mr Chan said the Government would increase the rate of each tax band for the first registration tax for private cars by 15 per cent and the vehicle licence fee by 30 per cent. He added that studies on congestion charging and the Electronic Road Pricing Pilot Scheme in Central will continue.

The Government will boost the Recycling Fund by an additional \$1 billion, extending the application period to 2027. An extra \$1 billion will also be set aside to install small-scale renewable energy systems at government buildings.

A quality city, Mr Chan said, also means "enhancing the facilities in our highly popular country parks, hiking trails, recreational facilities and harbourfront facilities".

\$500 million will be set aside for country parks, with the funds used to improve toilet facilities, boost barbecue and picnic sites, create tree-top adventures and glamping sites and revitalise wartime relics.

The Financial Secretary added that "football has long been one of the most popular sports" in Hong Kong, and that he wanted the general public, particularly young people, to have more opportunities to play the game and develop their potential. To that end, he said he would earmark \$318 million to upgrade more than 70 football pitches over the next five years.

Harbourfront enhancement will also continue. Mr Chan said the Government would seek funding from the Legislative Council this year to commence two major projects: the Boardwalk underneath the Island Eastern Corridor and the harbourfront park at Eastern Street North in Sai Ying Pun.

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## **Budget initiatives to support business, reboot the economy**

In his 2021-22 Budget today (February 24), the Financial Secretary, Mr Paul Chan, proposed wide-ranging measures to help enterprises weather the current economic difficulties and prepare for a post-pandemic recovery.

The Financial Secretary set out various initiatives to reinforce the competitiveness of the city's backbone industries, including financial services, innovation and technology (I&T) and tourism.

"This will not only bring new impetus to our industries, but also enable them to have a more dynamic, diverse and interactive development," Mr Chan said.

With many businesses severely affected by a drop in consumer spending during the pandemic, Mr Chan announced that the Government would issue electronic consumption vouchers to help stimulate the economy and "facilitate the speedy recovery of the consumption market.

"I will issue electronic consumption vouchers in instalments with a total value of \$5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above, so as to encourage and boost local consumption," he said, adding that the measure would involve a financial commitment of about \$36 billion and benefit around 7.2 million people.

The Government, Mr Chan said, will identify suitable stored value facility operators to help roll out the scheme, with more details to be announced as soon as possible.

The Financial Secretary also detailed a package of business relief measures totalling about \$9.5 billion, which include:

\* reducing profits tax for the year of assessment 2020-21 by 100 per cent, subject to a ceiling of \$10,000, benefitting 128 000 businesses;

\* providing rates concessions 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 is estimated to involve 420,000 non-domestic properties;

- \* waiving the business registration fees for 2021-22, benefitting 1.5 million business operators;

- \* 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; and

- \* 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.

To ease cash flow pressure on SMEs, the Financial Secretary extended until end-2021 the application period for the Special 100 per cent Guarantee Product, raised the loan ceiling from \$5 million to \$6 million, extended the maximum repayment period from five years to eight years, and extended the maximum duration of principal moratorium from 12 months to 18 months.

As regards the positioning and direction for Hong Kong's economic development, Mr Chan said from the perspective of industries, Hong Kong has huge development potential in areas including financial services, I&T, the green economy, air cargo, supply chain management and professional services.

Sector-specific initiatives include:

#### Financial Services

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- \* issue no less than \$24 billion of Silver Bonds and no less than \$15 billion of iBonds this year, and lower the eligible age for Silver Bond subscription from 65 to 60;

- \* issue green bonds totalling \$175.5 billion within the next five years, and plan to issue retail green bonds;

- \* roll out Green and Sustainable Finance Grant Scheme to subsidise expenses on bond issuance and external review services;

- \* strive to launch Southbound Trading of Bond Connect within this year, and enhance the domestic Central Moneymarkets Unit;

- \* provide a subsidy for Real Estate Investment Trusts to list in Hong Kong;

- \* launch a Pilot Insurance-linked Securities Grant Scheme to subsidise issuance costs;

- \* provide a subsidy for Open-ended Fund Companies to set up in or re-domicile to Hong Kong; and

- \* review tax arrangements relevant to family office businesses.

## Innovation and Technology

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- \* earmark over \$200 million for a "Knowing More About IT" Programme, subsidise primary schools to enhance students' interests and knowledge in IT and their application;
- \* regularise the pilot scheme which subsidises students studying science and technology in local universities to enrol in short-term I&T related internships; and
- \* inject \$9.5 billion into the Innovation and Technology Fund in annual instalments over the next two years.

## Tourism

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- \* earmark \$169 million for local cultural, heritage and creative tourism projects;
- \* allocate \$765 million to support the Hong Kong Tourism Board (HKTB) in reviving the tourism industry;
- \* HKTB to conduct a comprehensive review of the positioning of Hong Kong's tourism, and formulate strategies to spur the industry's recovery;
- \* consider reviving local group tours, provided that public health can be safeguarded; and
- \* work out Air Travel Bubble arrangements with suitable places.

Pledging to inject an additional \$1 billion into the CreateSmart Initiative, the Financial Secretary said that total expenditure on developing arts and culture in 2021-22 would exceed \$5.7 billion.

To assist local businesses in exploring new markets, Mr Chan will inject \$1.5 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales and increase the enterprise funding ceiling from \$4 million to \$6 million, and expand its geographical coverage.

"As an international metropolis that connects the world, Hong Kong can help the expansion of the country's external circulation, and in consequence, further strengthen its status as an international centre for finance, commerce and trade, as well as a home for corporate headquarters," Mr Chan said.

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## FS unveils 2021-22 Budget

The Financial Secretary, Mr Paul Chan, has today (February 24) in his 2021-22 Budget unveiled wide-ranging measures to revive Hong Kong's economy and help people overcome financial difficulties amid the COVID-19 pandemic.

Mr Chan said he expects a gradual recovery for the economy this year, but warned of financial challenges in the coming few years.

"This year's Budget focuses on stabilising the economy and relieving people's burden," he said.

"It aims to alleviate the hardship and pressure caused by the economic downturn and the epidemic through the introduction of counter-cyclical measures costing over \$120 billion, and seeks to create a leverage effect to benefit our people, workers as well as enterprises."

Severely impacted by the global COVID-19 pandemic, Hong Kong's economy contracted by 6.1 per cent in 2020 while the seasonally adjusted unemployment rate currently stands at a near 17-year high of 7 per cent, Mr Chan said.

Mr Chan forecast economic growth of between 3.5 per cent and 5.5 per cent in real terms in 2021, and average annual growth of 3.3 per cent from 2022 to 2025, while the underlying inflation rate is expected to average 2 per cent.

Noting that government measures launched under the Anti-epidemic Fund and in last year's Budget exceeded \$300 billion, Mr Chan forecast a budget deficit of \$257.6 billion for 2020-21.

"Although I forecast an improvement in revenue for the next financial year, I expect that the fiscal deficit will be \$101.6 billion, accounting for 3.6 per cent of GDP, due to the counter-cyclical fiscal measures and the continued increase in recurrent expenditure," Mr Chan said.

Fiscal reserves are expected to be \$902.7 billion by March 31, 2021.

"In the past year, we have increased government expenditure substantially to combat the epidemic and roll out relief measures, which resulted in our fiscal reserves dropping sharply in two years from the equivalent of 23 months of government expenditure to 13 months," Mr Chan said.

Mr Chan said that starting from 2021-22, the cumulative investment return of the Future Fund (established in 2016) would be reflected in the Operating Account on a progressive basis, with \$25 billion brought back in the first year.

This, he said, would ensure that financial stability is maintained and enhance confidence in Hong Kong's fiscal strength.

Given the budget deficit forecasts, Mr Chan said the Government would "set an example by cutting expenditure so as to strengthen fiscal discipline".

This would include zero growth in the civil service establishment in 2021-22, and trimming government recurrent expenditure by 1 per cent in 2022-23 to achieve estimated savings of \$3.9 billion.

To increase revenue, the Government plans to raise the rate of Stamp Duty on Stock Transfers, from the current 0.1 per cent to 0.13 per cent of the consideration or value of each transaction payable by buyers and sellers respectively.

Mr Chan said the sums raised under the Government Green Bond Programme will provide funding for green projects. He proposed further issuance of green bonds totalling \$175.5 billion within the next five years.

The Government will also review the rating system to explore room for improvement.

Mr Chan said that now is not the right time to introduce new taxes or revise the rates of profits tax and salaries tax, but the Government will "keep in view the situation and make adjustments at the appropriate time".

To help businesses weather the current economic downturn, Mr Chan announced a \$9.5 billion package of financial relief measures, including reducing profits tax up to a ceiling of \$10,000, waiving business registration fees for 2021-22 and reducing various government fees and charges.

To encourage and boost local consumption and stimulate the economy, the Government will issue, in instalments, electronic consumption vouchers with a total value of \$5,000 to eligible Hong Kong permanent residents and new arrivals aged 18 or above.

"This measure, which involves a financial commitment of about \$36 billion, is expected to benefit around 7.2 million people," Mr Chan said.

Mr Chan announced that the application period for the Special 100% Guarantee Product would be extended until end-2021, to help businesses overcome cash-flow challenges.

Mr Chan also set out initiatives to support the recovery and boost development of key industries, including innovation and technology, financial services, tourism, air cargo and creative industries.

To support job seekers, Mr Chan allocated \$6.6 billion to create around

30 000 time-limited jobs for a period of up to 12 months.

Despite the fiscal deficit, Mr Chan said spending would not be reduced in areas related to people's livelihood, especially the three policy areas of education, social welfare and healthcare.

"In 2021-22, the recurrent funding for these three policy areas amounts to \$302.3 billion in total, accounting for 58 per cent of the Government's total estimated recurrent expenditure," Mr Chan said.

To help ease people's financial burden, Mr Chan proposed a range of one-off measures, including reducing salaries tax by 100 per cent subject to a ceiling of \$10,000, providing rates concessions for domestic properties and offering a \$1,000 subsidy to each eligible residential electricity account as well as providing an extra half-month allowance to eligible recipients of the Comprehensive Social Security Assistance Scheme, Old Age Allowance, Old Age Living Allowance and Disability Allowance.

In addition, Mr Chan suggested setting up a Special 100% Loan Guarantee for Individuals Scheme, to provide an extra financing option for the unemployed. Under the proposal, the loan ceiling would be capped at \$80,000 with the interest rate fixed at 1 per cent per annum and a maximum repayment period of five years.

The Government's goal is to achieve carbon neutrality before 2050. Mr Chan revealed plans to cease new registration of fuel-propelled private cars in 2035 or earlier, as part of the Government's strategy to promote the use of electric vehicles (EVs), which also includes expanding the EV charging network and training EV technical and maintenance practitioners.

To support decarbonising and waste management strategies, Mr Chan set aside an extra \$1 billion to install additional small-scale renewable energy systems at government buildings and infrastructure.

A further \$150 million will be earmarked to conduct energy audits and install energy-saving appliances, free of charge, for non-governmental organisations subvented by the Social Welfare Department, Mr Chan said.

To ease traffic congestion, Mr Chan proposed increasing the rate of each tax band for the first registration tax for private cars (including electric private cars) by 15 per cent and the vehicle licence fee by 30 per cent.

Identifying ways to improve the living environment, Mr Chan allocated \$500 million to carry out enhancement works for facilities in some country parks, and reserved about \$300 million to implement a five-year plan for upgrading more than 70 football pitches, including increasing the number of five-a-side football pitches.

"The economy may move in a cycle, but there is always a way to prosperity," Mr Chan said.

"We have overcome many challenges and always come out stronger. Let us be steadfast and ride out the storm. Together we will build a better Hong Kong."

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## **Further appointment of incumbent LegCo Secretariat Legal Adviser**

The following is issued on behalf of the Legislative Council Secretariat:

The Legislative Council (LegCo) Secretariat announced today (February 24) that The Legislative Council Commission (the Commission) had approved that Ms Connie Fung, the incumbent Legal Adviser of the LegCo Secretariat (LA), be further appointed as LA for two years from August 11, 2021 to August 10, 2023.

The Commission had appointed an executive search firm to conduct an internal cum open recruitment exercise to fill the post of LA arising from Ms Fung's originally intended retirement this year. The Commission decided that Ms Fung be further appointed for two years after taking into account the existing policy and in the light of operational needs, succession planning and recruitment situation.

Ms Fung joined the LegCo Secretariat in June 1996 and held the positions of Assistant Legal Adviser and Senior Assistant Legal Adviser. She was promoted to LA in June 2015.

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## **Enhancements to Special 100% Loan Guarantee**

The following is issued on behalf of the Hong Kong Monetary Authority:

The Financial Secretary announced in the 2021-22 Budget today (February 24) that enhancements will be made to the Special 100% Loan Guarantee of the SME Financing Guarantee Scheme (SFGS) and the application period will be extended to December 31, 2021, in order to further alleviate the cash flow pressure of small and medium-sized enterprises.

Under the enhancement measures, eligible enterprises should have been operating for at least three months as at June 30, 2020, and have suffered at least a 30 per cent decline in sales turnover in any month since February

2020 compared with the monthly average of any quarter from early 2019 to mid-2020 (Note 1). The maximum amount of loan per enterprise will be raised from the total amount of employee wages and rents (Note 2) for 12 months to that for 18 months, or HK\$6 million (originally HK\$5 million), whichever is lower. Meanwhile, the maximum repayment period of the guaranteed loans will be increased from five years to eight years, and the principal moratorium arrangement will be extended from up to 12 months to up to 18 months.

HKMC Insurance Limited is proactively undertaking the preparatory work with the lending institutions, and strives to roll out the above enhancement measures within one month. The implementation date will be further announced. By that time, borrowers with existing loans may apply to their lending institutions for increasing the loan amount, extending the repayment period, and/or extending the principal moratorium period if they deem appropriate. In general, no additional supporting documents will be required. For public enquiries, please call the SFGS Hotline at 2536 0392.

Note 1: Previously, eligible enterprises should have been operating for at least three months as at the end of 2019, and have suffered at least a 30 per cent decline in sales turnover in any month since February 2020 compared with the monthly average of any quarter in 2019.

Note 2: If an enterprise does not have either employee(s) or rented office(s), the calculation can be replaced by half of the maximum monthly net income during the period from early 2019 to mid-2020.