

Hong-Kong – COVID-19 pandemic: How Hong Kong is Shoring Up Its Economy

Hong Kong was fortunate to escape the worst of the COVID-19 pandemic without resorting to the strict lockdowns seen in many other countries. However, travel restrictions and the implementation of aggressive social distancing measures still caused significant harm to the economy. In response, Hong Kong's government instituted several relief measures to help individuals and businesses survive the financial hardship arising from the pandemic. This article provides a general overview of the aforementioned measures.

Faced with the unprecedented economic damage caused by COVID-19, Hong Kong's government has to-date launched three rounds of relief measures to the amount of HK\$287.5 billion^[1]. These measures focus on 4 main objectives: (1) ensure job retention, creation and enhancement; (2) help businesses stay afloat; (3) relief financial burdens on individuals and businesses; and (4) assist economic recovery in the aftermath.

Employment: job retention, creation and enhancement

The centrepiece of the relief measures is the Employment Support Scheme, meant to keep workers employed and to create new employment opportunities.

As part of the scheme, the government will subsidize employers for wages payable to employees up to HK\$9,000 per employee/month, for the duration of 6 months. In return, employers undertake not to carry out redundancy dismissal.

The government will also invest HK\$6 billion on creating 30,000 temporary jobs in the private and public sectors. Furthermore, HK\$800 million will be allocated to support programs for private sector workers to develop new skills and technology.

Employment measures make up the bulk of the "Anti-epidemic Fund" allocated for relief and illustrate the government's underlying strategy to support the economy by limiting unemployment.

Financial Relief

Another part of the government's efforts reinforce the economy is to provide various financial relief measures for businesses and help them survive the threat of closure.

[1] For more details, see Finance Committee Discussion Paper FCR(2019-20)46 (21 February 2020), The 2020-21 Budget (26 February 2020) and Finance Committee Discussion Paper FCR(2020-21)2 (18 April 2020).

Financing

Under the SME Financing Guarantee Scheme, the Government will provide guarantees from 80% up to 100% on loans to SMEs depending on the loan amount. SMEs can receive a 100% guarantee on loans up to HK\$4 million and 80% guarantee on loans up to HK\$18 million.

In addition, the Hong Kong Monetary Authority will revise regulatory parameters to release a lending capacity of HK\$1 trillion, thereby enabling banks to provide more loans. Measures will also be taken to address cash-flow issues of the banks' clients.

Sector specific relief

The government will extend relief grants to those sectors^[2] most severely affected by the COVID-19 pandemic. Under these measures, eligible businesses and individuals within industries including but not limited to tourism, travel, foodservice and education will receive relief in the form of subsidies.

For the hard-hit aviation industry, airlines and aviation support service companies will be extended one-off subsidies. The Airport Authority has also introduced additional relief of HK\$2 billion to support businesses within the industry.

Concessions to Relieve Financial Burdens

To relieve the financial burdens caused by COVID-19 to businesses and individuals, the government also introduced a series of concessionary measures.

Rental concessions

For tenants of government-owned properties, the government has introduced a 75% rental reduction from April to September 2020. Other related fee concessions include a 75% waiver of water and sewage charges for non-domestic accounts.

Tax

Under the relief measures, the government implemented tax concessions for the year of assessment 2019-20. For businesses, profits tax was reduced by up to \$20,000. For individuals, salaries tax and tax under personal assessment was reduced by the same amount.

In addition, the Internal Revenue Department extended the deadline for the lodging of certain documents and the payment of tax as part of various measures intended to relieve taxpayers' burden.

The aforementioned relief measures demonstrate the Hong Kong government's commitment to supporting the businesses that are the lifeblood of the economy. Rooted in protecting employment, the various measures intend to keep businesses alive during this difficult period.

The content of this article is intended to provide a general overview to the subject matter. You should seek specialized advice if you are concerned about your specific circumstances.

[2] For a full list of the sectors affected, please refer to FCR(2019-20)46 (see n 1 above), p5 and FCR(2020-21)2 (see n1 above), p27.

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