



# **Two Rounds of Stimulus Packages Amidst COVID-19 Outbreak by the Hong Kong Government**

Since Hong Kong's first confirmed case back in January 2020, COVID-19's grip on the economy has brought financial difficulties and uncertainties to individuals and local businesses alike. With the Hong Kong Government's implementation of mandatory social distancing rules and the forced closure of some business premises, COVID-19 has continued to dampen the Hong Kong economy to this day.

In response to the COVID-19 outbreak, the Hong Kong Government announced two rounds of the Anti-Epidemic Fund stimulus packages on 14 February 2020 and 8 April 2020 to ease the financial burden suffered by individuals and local businesses and to provide certain assistance to affected industries.

## The first round of the Anti-Epidemic Fund stimulus package

The first round of stimulus package was approved by the Legislative Council on 21 February 2020. It called for a funding approval of HK\$30 billion to implement 24 measures which would enhance Hong Kong's anti-epidemic capability and to provide relief to local enterprises and individuals, and the highlights are summarized as follows:-

| The 24 measures that have been passed |   | Funding Commitments (HK\$ million) |
|---------------------------------------|---|------------------------------------|
| 1                                     | Enhancing support to the Hospital Authority in combatting the epidemic  | 4,700                              |
| 2                                     | Support local mask production   | 1,500                              |
| 3                                     | Global procurement of personal protective equipment   | 1,000                              |
| 4                                     | Support property management sector in anti-epidemic efforts   | 1,000                              |
| 5                                     | Technology applications to enable reusability of masks  | 800                                |
| 6                                     | Support construction sector in anti-epidemic efforts  | 710                                |
| 7                                     | Support cleansing and security staff engaged by Government and Hong Kong Housing Authority service contractors in anti-epidemic efforts | 250                                |
| 8                                     | Installation of emergency alert system  | 150                                |
| 9                                     | Home Quarantine Support   | 50                                 |
| 10                                    | Ex-gratia payment to households of the two public housing estates designated as quarantine centres                                      | 30                                 |
| 11                                    | Retail Sector Subsidy Scheme  | 5,600                              |
| 12                                    | Food Licence Holders Subsidy Scheme   | 3,730                              |
| 13                                    | Subsidy for the Transport Sector  | 3,230                              |
| 14                                    | Convention and Exhibition Industry Subsidy Scheme   | 1,020                              |
| 15                                    | Special Allowance for Eligible Working Family Allowance and Student Financial Assistance Households                                     | 990                                |
| 16                                    | Additional student study grant for 2019-20 school year  | 900                                |
| 17                                    | Rental waivers for tenants at the Science Park, industrial estates and Cyberport  | 380                                |
| 18                                    | Subsidies for live marine fish wholesale traders and fishing vessels with Mainland deckhands  | 270                                |
| 19                                    | Support to child care centres   | 220                                |
| 20                                    | Arts and Culture Sector Subsidy Scheme  | 150                                |
| 21                                    | Licensed Guesthouses Subsidy Scheme   | 150                                |
| 22                                    | Travel Agents Subsidy Scheme  | 140                                |
| 23                                    | Support to training bodies  | 90                                 |
| 24                                    | Licensed Hawkers Subsidy Scheme   | 30                                 |

For more details, please refer to **Appendix 1**.

## The second round of the Anti-Epidemic Fund stimulus package

As the epidemic continues and becomes more severe, the Hong Kong Government announced on 8 April 2020 the second round of stimulus package to provide further assistance to help businesses stay afloat, retain workers in employment, relieve financial burdens of individuals and businesses, and to facilitate the economy's recovery once the epidemic is contained. The total expenditure of the second round of stimulus package is HK\$137.5 billion. In addition to the HK\$30 billion under the first round of stimulus package and the HK\$120 billion relief package announced in the 2020-21 Financial Budget on 26 February, the total fiscal implication is HK\$287.5 billion, representing 10 per cent of the Gross Domestic Product.

There are four major components in the second round of stimulus package: (i) job retention, job creation and job advancement; (ii) sector-specific relief; (iii) reduction of financial burdens through government rental concessions, fee waivers, provision of loans and loan repayment deferrals; and (iv) other relief through Government facilitation. For more details, please refer to **Appendix 2**.

Some of the major measures to be implemented include an HK\$80 billion Employment Support Scheme ("ESS") under which wage subsidies will be provided to eligible employers provided that certain requirements are met (see table below) and a HK\$21 billion subsidy or relief benefiting 16 industry sectors which are particularly vulnerable under the epidemic. The Government will also introduce measures to enhance the SME Financing Guarantee Scheme, postpone tax payment as well as other measures that will benefit many businesses and individuals.

| Information on the Employment Support Scheme To-date   |   |
|--|---|
| Information published by the Hong Kong Government on 8 April 2020  | Further guidance provided on 14 April 2020  |
| <ul style="list-style-type: none"> <li>Wage subsidies provided to eligible employers to retain their employees in return for employers undertaking not to implement redundancy</li> <li>All employers making MPF contributions will be eligible (Hong Kong Government, statutory bodies, and Government subvented organizations are excluded)</li> <li>Government subsidies are calculated on the basis of 50% of wages, subject to a wage cap of HK\$18,000 per month for a period of 6 months (i.e. a maximum of HK\$9,000 monthly wage subsidy)</li> <li>Payment to employers will be made in two tranches, with the first payout no later than June 2020.</li> </ul> | <ul style="list-style-type: none"> <li>The designated monthly wage used as the calculation base of the ESS subsidies must be selected from the months of January to March 2020</li> <li>During the employer's 6-month subsidized period, the number of subsidized employees must not fall below the number of employees under employment in March 2020</li> <li>The ESS subsidies should be used for employee salaries purpose only.</li> </ul> |



## PKF Hong Kong's comments

While the second round of stimulus package will certainly help local businesses and individuals tide through this challenging period, we wish to bring your attention to some of our comments regarding the relief measures surrounding taxation and the ESS:-

### Hong Kong Tax Matters

- The Inland Revenue Department ("IRD") announced administrative reliefs to assist taxpayers experiencing business lock-downs and financial difficulties, in particular:-
  - Postponing the issuance of 2019/20 Profits Tax returns and Salaries Tax returns by one month to 4 May 2020 and 1 June 2020 respectively;
  - Automatically extending the deadlines to 4 May 2020 for filing tax returns, lodgment of objections and holdover applications which originally fall between 23 March 2020 and 2 May 2020;
  - Automatically extending the deadline to 1 June 2020 for filing Country-by-Country Reporting notification for entities with financial years ended between 31 December 2019 and 29 February 2020;
  - Granting an automatic three-month extension on deadlines for payment of Profits Tax, Salaries Tax and Tax under Personal Assessment for the year of assessment 2018/19; and
  - Waiving the surcharge on outstanding tax liability for taxpayers who have obtained approval for tax payment by instalments for the year of assessment 2018/19.
- It is yet to be clarified that whether the government subsidies made under the relief measures are taxable. In accordance with Section 15(1)(c) of the Inland Revenue Ordinance, grants or subsidies in connection with trade, profession or business would be deemed taxable, unless such sums were specifically used to fund capital expenditure. However, in the current circumstances and the fact that such relief measures are implemented to ease financial burdens, it may be possible that the IRD may issue further guidance on the tax treatment of such subsidies.

### Other Matters

The full extent of the conditions and application procedures of the ESS have yet to be formally published. As of now, the main areas of uncertainty include the (i) practical conditions for employers to fulfill and (ii) how to determine whether the subsidy is abused by over-hiring redundant staff. We expect that the Hong Kong Government will publish further announcements on this matter to ensure that the ESS would be implemented in a proper way. We will be on alert for any further information to be released by the Hong Kong Government regarding the conditions and application procedures of the ESS, and shall notify you on any developments as soon as they become available.



## Appendix 1 – First round of Anti-Epidemic Fund stimulus package

### I. Enhancing anti-epidemic capability

- (a) Enhancing support to the Hospital Authority (“HA”) in combatting the epidemic – To provide additional resources to the HA for tackling the epidemic, in particular for ensuring sufficient support and protection for frontline healthcare staff.
- (b) Support local mask production – To provide subsidy to facilitate the establishment of mask production facilities in Hong Kong as soon as possible.
- (c) Global procurement of personal protective equipment (“PPE”) – To ensure ready availability of funding for placing orders of PPE in a highly competitive global market.
- (d) Support property management (“PM”) sector in anti-epidemic efforts – To provide financial support to frontline PM workers in private residential and composite buildings to strengthen their capacity on personal and environmental hygiene, give recognition to their committed services provided during this critical period, and to alleviate the burden on the residents due to the heightened cleaning efforts and additional costs for procuring cleaning products and protective kits.
- (e) Technology applications to enable reusability of masks – To fund technology applications that enable masks to be reusable.
- (f) Support construction sector in anti-epidemic efforts – To provide resources for contractors, subcontractors, consultants and workers in the construction industry to improve the hygiene of the working environment, implement preventive measures and procure necessary protective/antiseptic equipment so that they can continue to work in face of the public health challenges.
- (g) Support cleansing and security staff engaged by the Government and Hong Kong Housing Authority (“HouA”) service contractors in anti-epidemic efforts – To provide financial support to such frontline workers (including toilet attendants) in their anti-epidemic efforts.
- (h) Set up an emergency alert system – To enable the Government to make time-critical public announcements and messages to alert the general public of emergency situations, including pandemic outbreaks.
- (i) Home quarantine support – To make available more monitoring devices for the home quarantine measures.
- (j) Payment of ex-gratia allowances to households of the two public housing estates designated as quarantine centres.

## II. Providing relief to enterprises and individuals

- (k) Retail Sector Subsidy Scheme – To provide financial assistance to retail merchants to alleviate the severe impact of the epidemic on retail business.
- (l) Food Licence Holders Subsidy Scheme – To provide financial assistance to food license holders to alleviate the severe impact of the epidemic on the catering industry and food-related industries.
- (m) Subsidies for the transport sector – To provide subsidies to operators of the transport sector in view of the severe impact of the coronavirus epidemic on their businesses.
- (n) Convention and Exhibition (“C&E”) Industry Subsidy Scheme – To provide subsidy to the C&E industry to reinvigorate Hong Kong’s status as an international convention and exhibition industry hub.
- (o) Special allowance for eligible Working Family Allowance (WFA) and Student Financial Assistance (SFA) households – To help targeted low-income households to weather the deteriorating economic and employment conditions as a result of the epidemic.
- (p) Additional student study grant for 2019-20 school year – To provide financial relief to parents in meeting expenses that may be incurred due to suspension of classes (e.g. software for e-learning or other learning materials).
- (q) Rental waivers for tenants at the Science Park, industrial estates and Cyberport.
- (r) Subsidies for live marine fish wholesale traders and fishing vessels with Mainland deckhands.
- (s) Support to child care centres (CCCs) – To provide financial assistance to aided and non-aided CCCs that have been suspended for a long time.
- (t) Arts and Culture Sector Subsidy Scheme – To provide subsidy to the arts and culture sector to alleviate the serious impact of the epidemic on the normal operation of the sector.
- (u) Licensed Guesthouses Subsidy Scheme – To provide subsidy to licensed guesthouses as a financial relief in view of the severe impact of the epidemic on their business.
- (v) Travel Agents Subsidy Scheme – To provide subsidy to travel agents as a financial relief in view of the severe impact of the epidemic on their business.
- (w) Support to training bodies – To provide subsidy to appointed training bodies of the Employees Retraining Board as a financial relief in view of the prolonged suspension of retraining courses caused by the epidemic.
- (x) Licensed Hawkers Subsidy Scheme – To provide subsidy to licensed hawkers as a financial relief in view of the severe impact of the epidemic on their business.

Reference:

HKSAR Government Anti-epidemic Fund website: [www.coronavirus.gov.hk/eng/anti-epidemic-fund.html](http://www.coronavirus.gov.hk/eng/anti-epidemic-fund.html)

## Appendix 2 – Second round of Anti-Epidemic Fund Stimulus package

### I. Job retention, job creation and job advancement

1. Introduce an HK\$80 billion Employment Support Scheme (“ESS”) :-
  - Government provides wage subsidies to eligible employers to retain their employees in return for employers undertaking not to implement redundancy
  - All employers making MPF contributions will be eligible except those on exclusion list (HKSARG, statutory bodies, and Government subvented staff) .
  - Government subsidies are calculated on the basis of 50% of wages, subject to a wage cap of HK\$18,000 per month (median wage at 2019 Q2) for a period of 6 months.
  - Payment to employers will be made in two tranches, with the first payout no later than June 2020. This is expected to benefit 1.5 million employees.
  - To provide support to employers in the catering, construction and transport (mainly taxi and red minibus drivers) sectors which are not completely covered by the MPF scheme (this is expected to involve about 800 000 persons).
  - To grant a one-off subsidy to self-employed persons (about 215,000 persons) who have made MPF contributions.
  - To temporarily relax the asset limits of Comprehensive Social Security Assistance (CSSA) Scheme: To provide a time-limited unemployment support scheme through CSSA Scheme. The asset limits for an able-bodied applicant will be increased by 100% for a period of 6 months. It is roughly estimated that the support scheme would benefit 40,000 households.
2. In the next two years, 30,000 time-limited jobs with a total value of HK\$6 billion will be created in the public and private sectors. As the largest employer, the Government will continue to employ about 10,000 civil service positions and about 5,000 young interns in 2020-21.
3. Support job advancement projects costing HK\$800 million for staff in private sector to learn new skills or for businesses to apply more technology.

### II. Sector-specific relief

In addition to the 24 items under the first round of HK\$30 billion, provide 16 items of one-off subsidy or relief grant under the second round of Anti-epidemic Fund estimated at HK\$21 billion, benefiting: –

1. Tutorial schools
2. School-related service providers
3. Registered sport coaches
4. Interest class instructors to social service centres
5. Private refuse collectors
6. Local primary producers
7. SME Exchange participants and SFC licensees
8. Licensed estate agents and salespersons
9. Passenger transport sector\*
10. Cinemas, design hub at PMQ and printing and publishing sector
11. Travel industry
12. Construction-related enterprises\*
13. Non-profit making organisations running various heritage and open space projects under DEVB
14. Aviation industry
15. Catering outlets\*
16. Eleven types of business ordered to close

\* Including job retention schemes

### III. Government rental concessions, fee waivers, provision of loans and loan repayment deferrals to reduce financial burdens

1. Enhance SME Financing Guarantee Scheme –
  - Raise maximum loan amount per enterprise  
80% guarantee HK\$15M → HK\$18M  
90% guarantee HK\$6M → HK\$8M  
100% guarantee HK\$2M → HK\$4M
  - Provide concessionary interest at a rate up to 3% for one year for loans under 80% and 90% Guarantee
  - Extend application period and eligibility to publicly-listed companies
  - Raising the guarantee commitment for the Special 100% Guarantee Product from HK\$20 billion to HK\$50 billion to meet businesses' demand
2. Increase government rental concessions for tenants and hirers of government premises from 50% to 75% for the period April to September 2020.
3. Increase government rental or fee concessions from 50% to 75% for eligible Short Term Tenancies and waivers administered by Lands Department for the period April to September 2020.
4. Expand the scope of (2) and (3) above to more businesses/ tenants not covered previously
5. Extend the 75% waive of water and sewage charges payable by nondomestic accounts for a further 4 months to November 2020 (previous rounds already provided 8 months).
6. Waive registration/ enrolment fees for 125,000 healthcare professionals for 3 years.
7. Reduce MTR fares by 20% for 6 months from 1 July 2020, with Government paying for half of the revenue forgone.
8. Relax the monthly threshold from HK\$400 under the Public Transport Fare Subsidy Scheme to HK\$200 for 6 months from July 2020 .
9. Grant interest-free deferral of loan repayment for 2 years to self-financing post-secondary institutions and non-profit-making international schools.
10. Automatically grant (i.e. without application) interest-free deferral of loan repayment for 2 years to all student loan repayees (except those on default).
11. Automatically defer (i.e. without application) payment of salaries tax, personal assessment and profits tax due for payment in April, May and June 2020 by three months.

### IV. Other relief through Government facilitation

1. Airport Authority – additional relief worth HK\$2 billion to airlines and its immediate supporting operators.
2. Hong Kong Monetary Authority – adjust regulatory parameters to enable banks to lend, releasing a total lending capacity of HK\$1,000 billion, and provide to clients “Principal moratorium” for a specified period and other sector-specific measures to provide the much-needed liquidity.
3. Insurance Authority – facilitate all major insurance companies to offer grace period of premium payment for holders of individual life, critical illness and medical policies for a specified period.
4. All Government bureaux and departments – extend 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 6 months in land leases.

Reference:

HKSAR Government Anti-epidemic Fund website: [www.coronavirus.gov.hk/eng/anti-epidemic-fund.html](http://www.coronavirus.gov.hk/eng/anti-epidemic-fund.html)



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