

Hong Kong Sets up the second round of Anti-epidemic Fund as Countermeasures against the Novel Coronavirus Epidemic

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On 18th April 2020, the second round of HKD 137.5 billion "Anti-epidemic Fund"¹(hereinafter the Second Fund) for the novel coronavirus epidemic (COVID19) announced by the Government of Hong Kong Special Administration Region (hereinafter HKSAR), was approved in Financial Committee meeting of Legislative Council. This report will introduce the countermeasures of the Second Fund.

BACKGROUND

In order to reduce the burden on companies suffering from the coronavirus, HKSAR announced relief measures under the first round of the Anti-epidemic Fund (hereinafter the First Fund)² with a total of HKD 30 billion in the middle of February. The First Fund would be mainly used to provide support to industries such as food and beverage, tourism and retail which rely heavily on foreign visitors. Meanwhile, in response to the alarming surge in newly confirmed cases caused by returnees from overseas, HKSAR made a restriction on foreign visitors entering Hong Kong from 25th March, and bars, karaoke, and beauty salons have to remain closed from the end of March. It also announced a ban on more than four people gathering together in public places. While there are no signs that the situation is being brought under control, there is a growing demand for government support from industries not covered by the countermeasures of the First Fund. Due to the increasing number of companies facing operation difficulties and a soaring unemployment rate, HKSAR established the Second Fund aiming at avoiding business failures and maintaining employment.

MAIN CONTENT

Below is the summary of countermeasures to support companies, related industries, and individuals in the Second Fund.

1. Employment Support (Extract)	
Job Retention	<ul style="list-style-type: none">Subsidy of 50% of the monthly wage, which is capped at HKD 9,000 dollar per employee for 6 months, will be paid to employers who make the MPF contribution for employees and undertake that they cannot implement redundancy.The full subsidy must be used to pay employee salaries.Select one month from Jan to Mar 2020 and use it as the basis for calculating subsidies. The number of employees during the period of receiving subsidies cannot be less than the number of employees in Mar.

¹ For details of the Second Fund, please refer to: <https://www.legco.gov.hk/yr19-20/english/fc/fc/papers/f20-02e.pdf>

² For details of the First Fund, please refer to: <https://www.bk.mufg.jp/report/chi200402/NF2020-01EN.pdf>

	<ul style="list-style-type: none"> ■ Applications will start by May 2020. Subsidies will be made in two disbursements, with the first subsidy (wages for Jun-Aug) by Jun, the second subsidy (wages for Sep-Nov) by Sep. ■ One-off grant of HKD 7,500 to self-employed persons who made MPF contributions during Jan to Mar 2020. ■ Provide subsidies to employers in the catering, construction and transport (mainly taxi and red minibus drivers) sectors which are not completely covered by the MPF scheme. (For details, please see the following support contents in part 2) ■ The estimated total expenditure is around HKD 81 billion.
Job Creation	<ul style="list-style-type: none"> ■ Invest HKD 6 billion to create around 30,000 time-limited jobs (up to 12 months) in the public and private sectors in the coming 2 years.
Job Advancement	<ul style="list-style-type: none"> ■ Provide subsidies to qualified companies such as law firms and construction consultant firms to encourage the use of IT and 5G technology and the provision of vocational trainings for employees. ■ The estimated total expenditure is around HKD 800 million.
2. Supporting Industries most Affected by COVID19 (Extract)	
Education	<ul style="list-style-type: none"> ■ One-off relief grant of HKD 40,000 to private schools offering non-formal curriculum registered under the Education Ordinance (generally referred as “tutorial schools”). ■ One-off relief grant to the following service providers and suppliers for schools and post-secondary education institutions: <ul style="list-style-type: none"> ➢ Catering outlets (tuck shops, canteens and restaurants): HKD 80,000 per outlet; ➢ Lunchbox providers: HKD 10,000 per school the provider serves; ➢ School bus drivers, school private light bus drivers and nannies: HKD10,000 per driver/per school bus for nannies; and ➢ Instructors, coaches, trainers and operators of interest classes engaged by schools: HKD 7,500 for each eligible individual. (Subsidies will be disbursed within 3-8 weeks after receiving the applications) ■ One-off relief grant of HKD 7,500 to the following instructors and coaches: <ul style="list-style-type: none"> ➢ Each registered coach under National Sports Associations and Sports Organisations who has proven coaching record in the past 1 year. (Application will begin within 1 month upon the establishment of the fund); and ➢ Each instructor of interest classes for organisations subvented by the Social Welfare Department.
Finance	<ul style="list-style-type: none"> ■ One-off relief grant to the following exchange intermediaries and Securities and Futures Commission (SFC) licensed intermediaries: <ul style="list-style-type: none"> ➢ Category B³ and Category C⁴ exchange participants: HKD 50,000 per company; and ➢ SFC licensed intermediaries: HKD 2,000 per individual. (Subsidies will be disbursed within 1 month upon the establishment of the fund) ■ Increase corporate lending by releasing HKD 1 trillion in funds by deregulation such as cutting the bank’s reserve ratio by Hong Kong Monetary Authority (HKMA).
Real Estate	<ul style="list-style-type: none"> ■ One-off cash subsidy equivalents to the 24-month license fee to licensed individuals of the estate agency sector. ■ Subsidies will be disbursed in within 1 month upon the establishment of the fund.

³ Category B – the 15th to 65th largest firms by the market turnover.

⁴ Category C – over 65th stockbroker in the market.

<p>Transport</p>	<ul style="list-style-type: none"> ▪ Monthly subsidy of HKD 6,000 for 6 months (Apr-Sep 2020) to eligible taxi and red minibus drivers. ▪ One-off subsidy of HKD 7,500 to taxi and red minibus drivers who cannot meet all the eligibility requirements of an active driver but can fulfil certain conditions. ▪ One-off subsidy of HKD 30,000 to the registered owner of each taxi, red minibus and green minibus. ▪ One-off subsidy of HKD 30,000 to the registered owner of each non-franchised bus, school private light bus and hire car. ▪ Reimburse 100% of the actual regular repair and maintenance costs and insurance premium for 6 months (Apr-Sep 2020) to franchised bus companies, franchised/licensed ferry operators and Hong Kong Tramways Limited. ▪ Subsidies will be disbursed within 1-2 months upon the establishment of the fund.
<p>Creative Industries</p>	<ul style="list-style-type: none"> ▪ Subsidy of HKD 100,000 per screen to each cinema licensed as a place of public entertainment with commercial operation in Mar, up to HKD 3 million per cinema circuit. (Subsidies will be disbursed within 2 weeks after receiving the applications) ▪ Subsidy of HKD 25 million to PMQ⁵'s operation and waiver of its tenants' rental. (Rental relief should take effect from May 2020) ▪ Cover all the participation fees of eligible participants in the next Hong Kong Book Fair for local printing and publishing sector. (A cap of HKD 100,000)
<p>Tourism</p>	<ul style="list-style-type: none"> ▪ One-off subsidy ranging from HKD 20,000 to HKD 200,000 to the licensed travel agents depending on the number of employees. ▪ Monthly subsidy of HKD 5,000 for 6 months to travel agents' staff and active freelance tourist guides and tour escorts holding a valid pass. ▪ One-off subsidy to licenced hotels of HKD 300,000 for hotels with 100 rooms or less, HKD 400,000 for hotels with 101 rooms or more. ▪ One-off subsidy of HKD 10,000 to coach drivers who mainly provide transport services for tourists. ▪ Waive the monthly fixed rent and management fees of the operator of Kai Tak Cruise Terminal for 6 months. ▪ Subsidies will be disbursed within 4-6 weeks after receiving the applications.
<p>Construction</p>	<ul style="list-style-type: none"> ▪ Subsidy of HKD 7,500 to each eligible registered construction worker. ▪ Subsidy of HKD 20,000 to each eligible contractor, specialist contractor and supplier, and company member of major construction-related trade associations. ▪ Subsidy of HKD 10,000 to each eligible registered minor works contractor, registered electrical / gas contractor, registered lift / escalator contractor, registered contractor under builders' lifts and tower working platform, registered fire service installation contractor and each eligible supplier of construction-related machineries and equipment rental. ▪ Eligible applications will be requested to submit the applications upon the establishment of the fund, and subsidies will be disbursed within around 4 weeks.

⁵ Creative centre located in Sheung Wan, the former Hollywood Police Married Quarters.

<p>Aviation</p>	<ul style="list-style-type: none"> ■ The Airport Authority Hong Kong (AAHK) will budget HKD 2,000 million to provide further support for the aviation sector. ■ One-off subsidy of HKD 1 million per large aircraft registered in Hong Kong and HKD 200,000 per small aircraft registered in Hong Kong. ■ One-off subsidy of up to HKD 3 million (with 100 employees or above) / HKD 1 million (with less than 100 employees) to aviation support services and cargo facilities operators. ■ Eligible applications will be requested to submit the application within around 1 week upon the establishment of the fund, and subsidies will be disbursed within around 2 weeks.
<p>Food and Beverage</p>	<ul style="list-style-type: none"> ■ One-off subsidy ranging from HKD 250,000 to HKD 2.2 million to the following catering outlets based on the size of their premises: <ul style="list-style-type: none"> ➢ General restaurants; ➢ Light refreshment restaurants; ➢ Marine restaurants; and ➢ Factory canteens. ■ Subsidies will be made in two disbursements, and not less than 80% of the subsidy has to be used to pay employees' salaries. ■ An employer is required not to dismiss employees within 3 months of receiving the subsidy and not to apply for the above-mentioned subsidies under the Employment Support Scheme. ■ One-off subsidy of HKD 50,000 to each eligible catering outlets directed by HKSAR to close whole of its licensed premises: <ul style="list-style-type: none"> ➢ Karaoke; and ➢ Bars/pubs and night clubs. ■ One-off subsidy of HKD 50,000 to tenants of cooked food/light refreshment stalls at public markets managed by the Food and Environmental Hygiene Department. ■ Eligible applications will be requested to submit the applications in May 2020 and the first subsidy will be disbursed within around 2-3 weeks.
<p>Premises Affected by COVID-19</p>	<ul style="list-style-type: none"> ■ One-off subsidy to businesses which have been ordered to close due to the measures for safeguarding public health imposed by HKSAR as follow: <ul style="list-style-type: none"> ➢ Amusement game centre: HKD 100,000; ➢ Commercial bathhouse: HKD 100,000; ➢ Fitness centre: HKD 100,000; ➢ Amusement (billiard establishments, public bowling-alleys and public skating): HKD 100,000; ➢ Public Entertainment Licence (hereinafter PPEL) (except cinema): HKD 100,000 / temporary PPEL: HKD 20,000; ➢ Mahjong / Tin Kau premises: HKD 100,000; ➢ Party room that does not hold a food business license: HKD 40,000; ➢ Beauty parlour/ Massage establishment: HKD 30,000 to HKD 100,000 depending on the size of the premises, subject to a cap of HKD 3 million to massage establishment chain; ➢ Club-house with a Certificate of Compliance: HKD 100,000; and ➢ Sports and recreational facilities operated by non-governmental operator on Government site: HKD 100,000 per Government site.
<p>Refuse Collector</p>	<ul style="list-style-type: none"> ■ One-off relief grant of HKD 8,000 to each private refuse collector. ■ Subsidy will be transferred to the account of an eligible applicant within 2 weeks upon the establishment of the fund.

Fisheries and Agriculture	<ul style="list-style-type: none"> ▪ One-off relief grant of HKD 10,000 to each local fishery/ agricultural producer. ▪ Eligible applicants will be requested to submit the applications upon the establishment of the fund and subsidies will be disbursed within around 2-3 weeks.
3. Support for Corporate / Individual Financing (Extract)	
SME Financing Guarantee Scheme	<ul style="list-style-type: none"> ▪ Raise the loan limit under the SME Financing Guarantee Scheme as follow: <ul style="list-style-type: none"> ➢ Up to HKD 18 million with 80% government guarantee; ➢ Up to HKD 8 million with 90% government guarantee; and ➢ Up to HKD 4 million with 100% government guarantee. ▪ Provide up to 3% interest subsidy to companies applying for loans with government guarantee ratios of 80% and 90%. ▪ Expand the eligibility criteria for loans with government guarantee ratios of 80% and 90% to listed companies. ▪ The application period of the above measures is one year. ▪ The estimated additional expenditure is around HKD 11.7 billion
Rental/ Fee Concessions	<ul style="list-style-type: none"> ▪ Increase rental concessions for eligible tenants of government premises from 50% to 75% from Apr to Sep 2020. Businesses which have completely ceased operation will receive a 100% rental waiver. ▪ Increase the rental or fee concessions from 50% to 75% in respect of eligible short-term tenancies and waivers administered by the Lands Department from Apr to Sep 2020. ▪ Expand the applications of the above measures to companies such as driving schools and public transport offices that were not covered by the countermeasures of the First Fund. ▪ Extend water and sewerage exemption measures for non-domestic accounts for 4 months (Aug-Nov 2020). ▪ Exempt the registration/enrolment fees for healthcare professionals for 3 years from Jul 2020. ▪ The above measures will reduce HKSAR's revenue by about HKD 1.3 billion.
Transport	<ul style="list-style-type: none"> ▪ Lower the monthly threshold of monthly public transport expenses to HKD 200 for 6 months from Jul to Dec 2020. ▪ Reduce the subway fares by 20% for 6 months from Jul to Dec 2020, and 50% of the reduction will be covered by HKSAR. ▪ The estimated additional expenditure is around HKD 800 million.
Tax payment	<ul style="list-style-type: none"> ▪ Extend the 2018/2019 tax payment deadline for corporate and personal income tax by 3 months.

COMMENTS

To prevent corporate bankruptcy and dismissal from the economic downturn caused by the US-China trade war, unstable political situation, and the economic impact of the coronavirus outbreak, HKSAR continuously launches large-scale financial support such as subsidies for individuals and affected industries. It spends a large number of financial reserves to assist half of the company's payroll to maintain employment and set up countermeasures for education, construction, beauty and other industries that were not covered by the countermeasures of the First Fund. According to the Chief Executive of Hong Kong, Carrie Lam, together with the fiscal budget announced this February and the First Fund, the total fiscal implication is HKD 287.5 billion, which accounts for roughly 10% of Hong Kong's GDP. HKSAR has stated that it will be difficult to implement further support within

short term, but some also argue that support should be introduced for industries which have not been targeted so far and unemployment people. We will closely follow up on how the countermeasures of the Second Fund will be proceed and continue to pay attention to measures for economic recovery.

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