

Insights

HONG KONG GOVERNMENT REACHES OUT TO HELP BUSINESSES STAY AFLOAT

HONG KONG SAR – COVID-19

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SUMMARY

Hong Kong Government has issued a further round of financial relief worth HK\$137 billion (US\$17.5 billion) to help Hong Kong combat the impacts of COVID-19.

This blog explores two key initiatives, namely (1) the Employment Support Scheme (announced on 8th April 2020); and (2) SME Financing Guarantee Scheme (announced on 26th February 2020). It also summarises other relief measures announced on 8th April 2020 which may be of interest to our clients with businesses in Hong Kong in particular in aviation, real estate, construction, tourism, hospitality, F&B and the financial services sector.

Hong Kong SAR has dived into recession following months of political unrest and escalating measures to control the spread of the COVID-19. After this year's budget centred on a HK\$10,000 cash handout to all permanent residents age 18 and above and a HK\$30 billion anti-epidemic fund, the Hong Kong Government has announced on 8th April 2020, the second round of economic stimulus which offers a HK\$137.5 billion lifeline aiming to save jobs and firms. Together with previous financial relief offers, it would cost the Government HK\$287.5 billion, causing the city's budget deficit to surge from HK\$139.1 billion (US\$17.8 billion) to HK\$276.6 billion (US\$35 billion), equivalent to 9.5 per cent of GDP.

These new measures account for 4.6% of the city's GDP. We will elaborate on 2 key aspects of this relief fund: (i) Employment Support Scheme and (ii) SME Financing Guarantee Scheme; and provide a summary of other forms of financial relief for particular sectors such as aviation, real estate, construction, tourism, hospitality, F&B and the financial services.

Employee Support Scheme ("ESS")

58% of the relief fund, HK\$80 billion, is allocated to the Employee Support Scheme (ESS). This scheme is expected to benefit around 1.5 million employees in Hong Kong SAR. Under the ESS, the Government will provide wage subsidies to eligible employers to retain their employees. Those employers who are receiving the lifeline would have to undertake that they will not implement a redundancy scheme.

Except for employees of the HKSAR government, statutory bodies and Government subvented organisations, all employers who have been making Mandatory Provident Fund (MPF) contributions for their employees are eligible under this scheme. The wage subsidy will last for a period of six months and would subsidize 50% of the monthly salary, which is capped at HK\$18,000. The subsidy would be disbursed to employers in two payments, with the first payment being made not later than June 2020.

Although the ESS is encouraging news to the public in Hong Kong SAR, details are yet to be published. It is not yet clear as to how and when an employer may apply for this scheme. The details of the scheme would also be vital to clarify whether Hong Kong SAR offices of international corporations can apply if other offices outside HK elect to make its employees redundant.

Those employers in sectors which are not completely covered by the MPF scheme (e.g. employers in the catering, construction and transport (mainly taxi & minibus drivers) sectors), and those who are self-employed are also supported under separate categories within the relief fund.

Special 100% Loan Guarantee under the SME Financing Guarantee Scheme (“SGS”)

In hopes of alleviating the burden of paying employee wages and rents by small and medium-sized enterprises which are suffering from reduced income during the COVID-19 pandemic, the Hong Kong Financial Secretary announced on 26 February 2020 that the Hong Kong Mortgage Corporation Insurance Limited (HKMCI), a wholly-owned subsidiary of the Hong Kong Mortgage Corporation (HKMC), will introduce a special 100% loan guarantee under the SME Financing Guarantee Scheme (“SGS”).

To demonstrate eligibility for the 100% loan guarantee, these businesses must be registered in Hong Kong under the Business Registration Ordinance and must be based in Hong Kong SAR. Enterprises must have a valid Business Registration Certificate for at least 3 months as of end of December 2019. They must also show that the business has suffered at least a 30% decline in sales turnover in any single month since February 2020 when compared with the monthly average of any quarter in 2019.

The maximum amount of the loan which an enterprise can borrow would be the aggregate of employee wages and the rent for six months or HK\$2 million, whichever is lower. The calculation would be replaced by half of the maximum monthly net income in 2019 if an enterprise does not have either employee(s) or a rented office. The applicable interest rate charged for the loan would be Hong Kong’s prime rate minus 2.5 per cent per annum. Under the SGS, all guarantee fees will be

waived and the maximum repayment period of the loan under the guarantee is 36 months. Enterprises can also opt for a principal moratorium for the first six months in order to lessen the burden of immediate repayment.

Currently, various lending institutions in Hong Kong SAR are fully supporting the SGS and are offering flexible lending solutions to enterprises. Application can now be made through these lending institutions which are accepting these special 100% loan guarantees.

[Details of the scheme can be found on the The Hong Kong Mortgage Corporation Limited.](#)

Other sector-specific relief in the fund

HK\$21 billion of the [relief fund has been set aside for 16 other types of sectors and businesses especially impacted](#) by COVID-19. We have summarised below measures which are likely to be relevant to our clients.

- **Tourism, hospitality & leisure sectors:**
 - Each licensed hotel to be provided cash subsidy of HK\$300,000/HK\$400,000. *(Page 6, Paragraph 11 (c))*
 - Each licensed travel agent to be provided cash subsidy ranging from HK\$20,000 to HK\$200,000. *(Page 6, Paragraph 11 (a))*
 - Each eligible travel agents' staff and active freelance tourist guides and tour escorts to be provided a monthly subsidy of HK\$5,000 for 8 months. *(Page 6, Paragraph 11 (b))*
 - Each coach driver who mainly provides transport services for tourists with a one-off subsidy of HK\$10,000. *(Page 6, Paragraph 11 (d))*
 - Monthly fixed rent and management fees of the operator of Kai Tak Cruise Terminal to be waived for six months. *(Page 6, Paragraph 11 (e))*
 - Cruise lines to be provided subsidy by offering refund of berth deposits for cancelled ship calls during the suspension of immigration service when they schedule a prospective ship call. *(Page 6, Paragraph 11 (f))*
 - Operator of a club-house with a Certificate of Compliance to be provided a one-off subsidy of HK\$100,000. *(Page 8, Paragraph 16 (g))*
 - Non-governmental operator of sports and recreational facilities on Government sites to be provided a one-off subsidy of HK\$100,000. *(Page 8, Paragraph 16 (j))*
 - Operators of fitness centres to be provided a one-off subsidy of HK\$100,000. *(Page 8, Paragraph 16 (c))*

- Operators of amusement game centres to be provided one-off subsidy of HK\$100,000. *(Page 8, Paragraph 16 (a))*
- Operators of a place of amusement (billiard establishments, public bowling-alleys and public skating) to be provided a one-off subsidy of HK\$100,000. *(Page 8, Paragraph 16 (d))*
- Operators of a massage establishment to be provided HK\$30,000 to HK\$100,000 depending on the size of the premises, subject to a cap of HK\$3 million for each massage establishment chain. *(Page 8, Paragraph 16(i))*

- **Construction and projects sector:**
 - Each eligible company would receive through the Construction Industry Council a training subsidy of HK\$50,000. *(Page 3, Section I, 5th bullet point)*
 - Each eligible registered construction worker will be provided a subsidy of HK\$7,500. *(Page 6, Paragraph 12 (a))*
 - Each eligible contractor, specialist contractor and supplier, and company member of major construction-related trade associations to be offered a subsidy of HK\$20,000. *(Page 6, Paragraph 12 (b))*
 - Each eligible registered minor works contractor, registered electrical contractor, registered gas contractor, registered lift/escalator contractor, registered contractor under Builders' Lifts and Tower Working Platforms (Safety) Ordinance, registered fire installation contractor and each eligible supplier of construction-related machineries and equipment rental to be offered a subsidy of HK\$10,000. *(Page 6, Paragraph 12 (c))*
 - Public and private sectors would be provided a subsidy of 50% of project costs for projects deploying 5G technologies, subject to a cap of HK\$500,000 for each project. *(Page 3, Section I, 3rd bullet point)*
 - Relevant Government departments will extend the deadline for project completion of Government works in accordance with the contract mechanism and/or to relax the payment schedules of Government works and non-works contracts, as well as extend the Building Covenant (BC) period for development projects by up to six months in land leases. *(Page 12, Section IV, 4th bullet point (1st sub-item))*

- **Aviation sector:**

- Per large aircraft registered in Hong Kong to receive a subsidy of HK\$1 million; and per small aircraft registered in Hong Kong to receive a subsidy of HK\$200,000 (*Page 7, Paragraph 14 (a)(i)*)
- Aviation support services and cargo facilities operators: one-off subsidy of up to HK\$3 million (with 100 or more employees)/ HK\$1 million (with less than 100 employees) to each operator. (*Page 7, Paragraph 14 (a)(ii)*)
- Airport Authority Hong Kong will budget HK\$2,000 million to provide further relief measures for the aviation sector. (*Page 12, Section IV, 1stbullet point*)

- **F&B sector:**
 - Eligible general restaurants, light refreshment restaurants, marine restaurants and factory canteens to be provided a one-off subsidy ranging from HK\$250,000 to HK\$2.2 million based on the size of premises. A licensee is required to undertake that there would be no redundancy of staff for 3 months after obtaining the subsidy and it will not apply for subsidy under the Employment Support Scheme. (*Page 7, Paragraph 15 (a)*)
 - Each eligible catering outlet directed by the Government to close the whole of its licensed premises to be offered a further one-off subsidy of HK\$50,000. (*Page 7, Paragraph 15 (b)*)
 - Each eligible tenant of cooked food/light refreshment stalls at public markets managed by the Food and Environmental Hygiene Department to be provided a one-off subsidy of HK\$50,000. (*Page 7, Paragraph 15 (c)*)

- **Real estate:**
 - Licensed individuals of estate agency sector would receive a one-off cash subsidy which is equivalent to the 24-month licence fee of the relevant licences. (*Page 4, Paragraph 8*)
 - Eligible businesses/organisations operating in government premises will have increased rental concessions from 50% to 75% from April to September 2020. (*Page 9, Paragraph 2(a)*)
 - Eligible short-term tenancies and waivers administered by the Lands Department will have an increased rental or fee concessions from 50% to 75% from April to September 2020. (*Page 9, Paragraph 2(b)*)

- **Financial services industry:**

- Exchange participants and Securities and Futures Commission licensed individuals a one-off subsidy ranging from HK\$2,000 to HK\$50,000. *(Page 4, Paragraph 7)*

- **Legal industry:**
 - The LAWTECH Fund: to assist SME law firms/barristers' chambers to upgrade their information technology system in order to support the development of remote hearings. *(Page 3, Section 1, 1st bullet point)*
 - COVID-19 Online Dispute Resolution (ODR) Scheme: to provide ODR services for disputes related to or arising from COVID-19 *(Page 3, Section 1, 2nd bullet point)*

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MEET THE TEAM



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