

CORONAVIRUS



Government measures to support businesses during the Coronavirus Outbreak

With the economy facing downward pressure, the Hong Kong Government is rolling out various supporting and funding measures to help enterprises.

The \$30 billion HK\$ Anti-epidemic Fund

The Legislative Council Finance Committee approved the \$30 billion Anti-epidemic Fund on 21 February 2020, more than half of which - HK\$16.9 billion - will serve as one-off cash injections to retailers, food and beverages service providers, start-ups and other businesses.

The retail sector subsidy scheme will benefit 70,000 retailers who will share a total of HK\$5.6 billion cash subsidy. Eligible recipients are defined as “*businesses which sell goods at a physical location mainly to the general public for personal/household consumption*”.

Food licence holders (*i.e.* holders of general restaurant licence, marine restaurant licence or canteen licence) will benefit a one-off grant of HK\$200,000 whilst holders of light refreshment licences, (*e.g.* bakeries and food factories), will be eligible for a cash grant of HK\$80,000.

Tenants of technology hubs in Science Park and Cyberport will enjoy six-month rental waiver capped at 10,000 square feet starting from 1 April 2020.

The 2020-21 Budget

The 2020-21 Budget, released on 26 February 2020, contains a variety of tax reliefs and other concessions for businesses:

- profits tax will be reduced by 100% for the 2019-20 year up to maximum of HK\$20,000 for each taxpayer;
- business registration fees will be waived for 2020-21;
- company registry fees for annual tax returns will be waived for two years;
- a concessionary low-interest loan of up to HK\$2 million will be provided to enterprises under the SME Financing Guarantee Scheme (see below); and
- non-domestic electricity accounts will enjoy a 75 per cent discount up to a ceiling of HK\$5,000 for four months, and water and sewage costs will be discounted by 75 per cent up to a cap of HK\$20,000 and HK\$12,500 respectively.

Government Funding Schemes to Support SMEs and Retail Enterprises

In addition to the above, the Hong Kong Government has been offering funding schemes which specifically focus on small and medium enterprises (“**SMEs**”) for the years ahead. SMEs are classified as manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer

than 50 employees.

A number of major funding schemes that benefit SMEs or retail enterprises include:

1. *The SME Financing Guarantee Scheme (SFGS)*

By providing up to 80% guarantee for term loans and revolving credit facilities (capped with a maximum facility amount of HKD 15 million and a maximum guarantee period of 7 years), SFGS aims to help enterprises to obtain financing from participating lending institutions for meeting business needs. As an enhanced measure effective from September 2019 and lasting for 1 year, borrowers may apply for principal moratorium of up to 6 months, which is renewable subject to a maximum of 12 months in total. During the moratorium, only interest payments have to be made. Furthermore, in December 2019, a new loan guarantee product under SFGS has been introduced to provide 90% guarantee for approved term loans (subject to a maximum facility amount of HKD 6 million and a maximum guarantee period of 5 years).

2. *The SME Loan Guarantee Scheme (SGS)*

By providing loan guarantee, SGS assists SMEs to secure loans from participating institutions for acquiring business installations and equipment or meeting working capital needs for general business uses. Under SGS, eligible SMEs may obtain up to 50% guarantee for approved loans, capped by a guarantee ceiling of HKD 6 million and a maximum guarantee period of 5 years. Commencing from September 2019 and effective for a year, borrowers may apply for principal moratorium of up to 6 months, which is renewable but limited by a maximum of 12 months in total. During such period, the borrower only needs to make payments for the interest.

3. *SME Export Marketing Fund (EMF)*

EMF offers funds to eligible SMEs to participate in export promotion activities to expand their markets outside Hong Kong. In relation to each promotion activity participated by a successful EMF applicant, the fund covers a maximum of 50% of the total approved expenditure incurred by the SME, or HKD 100,000, whichever is the less. There is no limit on the number of applications by an enterprise for EMF grants, but each enterprise may only obtain EMF funding up to a cumulative limit of HKD 800,000. The government also provides successful EMF applicants with up to 75% of the total preliminary approved government funding as initial payment to lessen the liquidity burden on enterprises at project launching.

4. *Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD)*

BUD provides funding support for projects by eligible enterprises to develop brands, upgrade and restructure business operations and promote sales. New enhancement measures have been rolled out for BUD in January 2020. BUD's geographical coverage has been extended from mainland China and 10 ASEAN countries to cover other economies with which Hong Kong has signed FTAs. Funding is to be provided on a matching basis, meaning the enterprise need to contribute no less than 50% of the total approved project cost in cash. The cumulative funding ceiling for each enterprise has been doubled from HKD 2 million to HKD 4 million, including HKD 2 million for projects in mainland China and HKD 2 million for projects in ASEAN and other FTA markets. The ratio of initial payment has been raised from 25% to up to 75% of the approved government funding.

5. **Technology-related funding schemes**

The Hong Kong government also offers multiple funding schemes to encourage enterprises to embrace technology. For instance, the [Retail Technology Adoption Assistance Scheme for Manpower Demand Management](#) (ReTAAS) provides funding to retail enterprises to adopt technology for manpower demand management purposes and help enhance productivity; the [Technology Voucher Program \(TVP\)](#) subsidizes enterprises in utilizing technological services and solutions to improve productivity, or upgrade or transform their business processes; the [Enterprise Support Scheme](#) (ESS) supports enterprises to conduct in-house research and development; the [Patent Application Grant](#) (PAG) helps enterprises and individuals in patent applications for their own inventions.

6. **Hong Kong Trade Development Council trade fair and conference participation subsidy**

To further assist local SMEs in exploring markets and business opportunities, the government has announced to launch a one-off scheme commencing on February 1, 2020 to subsidize local SMEs to participate in exhibitions organized by the Hong Kong Trade Development Council (TDC). The scheme will last for 6 months till July 31, 2020. Local SMEs will be subsidized for 50% of its participation fee per participation in TDC's exhibitions during the period, subject to a cap of HKD 10,000.

Measures in the Greater Bay Area

On 6 February 2020, the Guangdong province of the People's Republic of China released a variety of measures to support all enterprises in resuming production and operation, which includes the following:

- Enterprises affected by the coronavirus outbreak are allowed to pay the social insurance premiums within three months after the outbreak is resolved;
- Enterprises that lease state-owned properties are exempted from paying one month's rent and can enjoy half rent for another two months;
- Eligible enterprises are allowed to defer filing and paying taxes for no more than three months; and
- If a SME has signed a contract with a state-owned enterprise and cannot fulfill its contractual obligations on time due to the epidemic, the term of performance may be extended appropriately.

The above measures will be effective for three months after the date of the issuance. Governments at the local level have formulated implementation rules based on local conditions.

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