

Voluntary Report – Voluntary - Public Distribution

Date: March 09, 2021

Report Number: HK2021-0024

Report Name: Hong Kong Budget Aims to Lift the Economy

Country: Hong Kong

Post: Hong Kong

Report Category: Agriculture in the Economy, National Plan, Policy and Program Announcements, Agriculture in the News, Trade Show Announcement

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Report Highlights:

The Hong Kong Financial Secretary announced the 2021-22 budget on February 24, 2021, promising to spend over HK\$80 billion (US\$10.3 billion) on various one-off measures to lift the economy and help relieve people's burdens due to the COVID-19 pandemic. However, the budget did not respond to the industry's request for reducing the 100 percent excise tax on spirits. This report will focus on one-off and long-term measures relevant to trade and agricultural products.

The 2021-2022 Hong Kong budget aims to revive the economy and provide immediate relief measures to residents against the backdrop of economic contraction following prolonged social unrest in the second half of 2019 and the pandemic of 2020. The budget also prepares for long-term investment allowing Hong Kong to keep abreast of changes and remain competitive in the global trading arena. With the launching of Hong Kong's vaccination program in late February 2021 and the expected gradual recovery of the global economy, the Financial Secretary forecasts Hong Kong's economy will have a 3.5 to 5.5 percent modest increase in 2021.

The budget did not respond to the industry's request for reducing the tax on spirits. Hong Kong has a 100 percent ad valorem tax on beverages with alcoholic content over 30 percent alcohol by volume. The industry has been lobbying the Hong Kong government (HKG) to revise the tax system or lower the tax rate for years. The HKG has not reduced the tax on spirits due to concerns that it will encourage underage drinking and is not good for public health.

Hong Kong 2021-22 Budget: Measures Relating to Trade

Support Enterprises

Many businesses encountered great financial hardships in 2019 and 2020. The budget includes measures to help them remain in business. Trade facilitation measures include 100 percent guaranteed low-interest loans with extended repayment periods and a loan ceiling of HK\$6 million (US\$770,000). Although Hong Kong has a very simple tax system and a low tax rate (15 – 16.5%), the budget reduces the profits tax for the 2020-21 assessment year by 100 percent, subject to a HK\$10,000 (US\$1,290) ceiling. The HKG also provides a property rate concession and waives business registration fees as a gesture to alleviate the financial burden of business.

Invest in Air Cargo Sector

The budget highlights initiatives to support and strengthen the air cargo sector for Hong Kong's long-term future. The HKG will continue to invest in air cargo handling facilities reinforcing Hong Kong's position as a leading air cargo trading hub. The Hong Kong International Airport (HKIA) handled 4.5 million tons of cargo and airmail, down by only seven percent from the pre-epidemic level. With the expansion of the existing express air cargo terminal, and the commissioning of a new premium logistics center as well as the Three Runway System, HKIA's annual cargo handling capacity is expected to increase from 7.4 million tons to some nine million tons in 2024. When the airside intermodal cargo-handling facility becomes operational as well, Hong Kong's competitiveness as a trading hub for air cargos will be further enhanced.

Invest in Trade Show and Conference Industry

The HKG will allocate a total of HK\$375 million (US\$48 million) to Hong Kong's largest trade show and conference organizer, the Hong Kong Trade Development Council (TDC), for three years starting from 2021-22 to develop virtual platforms to enhance its capability to organize online activities and to proceed with digitalization. Moreover, the TDC will promote Hong Kong's strength in the development of the Greater Bay Area and in healthcare products and services. It will also explore the use of its physical and online Business-to-Consumer platforms to assist young business entrepreneurs in promoting their original products and gauging the preferences of consumers.

Energize the Retail and Food Service Sector

The HKG will issue electronic consumption vouchers in installments with a total value of HK\$5,000 (US\$641) to each eligible Hong Kong permanent resident and new arrival aged 18 or above, so as to encourage and boost local consumption. This measure, which involves a financial commitment of about HK\$36 billion (US\$4.6 billion), is expected to benefit around 7.2 million people.

Invest in Tourism

The epidemic has dealt a heavy blow to the Hong Kong tourism industry, essentially bringing it to a standstill. Apart from the financial support of nearly HK\$2.6 billion (US\$333 million) that has already been provided for the tourism industry, the HKG will further earmark a total of HK\$934 million (US\$120 million) to enhance tourism resources, of which HK\$169 million (US\$22 million) will be used to continue to advance local cultural, heritage and creative tourism projects. The HKG will also earmark HK\$765 million (US\$98 million) to support the Hong Kong Tourism Board (HKTB) in reviving its tourism industry. Provided that public health can be safeguarded, the HKG will consider relaxing restrictions on group gatherings in relation to local group tours again to allow room for business operation in the tourism industry. The HKG will discuss and work out arrangements regarding Air Travel Bubble with places that have close economic and trade relations with Hong Kong and where the epidemic situation is relatively stable.

Attachments:

No Attachments.