

THE 2021-22 BUDGET



Financial Secretary Paul Chan delivers the 2021-22 Budget at the Legislative Council on February 24.



Financial Secretary Paul Chan (third right) attends a joint television panel discussion programme on the Budget on February 24.

The Financial Secretary (FS), Mr Paul Chan, announced his 2021-22 Budget on February 24, unveiling wide-ranging measures to revive Hong Kong's economy and help people overcome financial difficulties amid the COVID-19 pandemic. He said the Budget was aimed to alleviate the hardship and pressure caused by the economic downturn and the epidemic through the introduction of counter-cyclical measures costing over HK\$120 billion, and sought to create a leverage effect to benefit Hong Kong residents, workers as well as enterprises.

In his budget speech, FS reviewed that the global COVID-19 pandemic has severely impacted on Hong Kong's economy, which contracted by 6.1% in 2020 while the seasonally adjusted unemployment rate stood at a near 17-year high of 7% in early 2021. As regards Hong Kong's economic outlook, he forecast that the economic growth could reach between 3.5% and 5.5% in real terms in 2021, and average annual growth of 3.3% from 2022 to 2025, while the underlying inflation rate is expected to average 2%.

Below are some of the highlights of FS' budget speech:

Stimulating the Economy

Functions and Positioning

- With its deep and extensive connections with the world, Hong Kong will continue to be an important platform for economic exchanges and trade between the Mainland and the international community.
- **Guangdong-Hong Kong-Macao Greater Bay Area** is the best entry point for Hong Kong to participate in the domestic circulation of our country's economy. Be it for the mutual market access for financial services and products, cooperation and collaboration in respect of innovation and technology, or people's stay and living across the boundary, policy arrangement will be in place to ensure a smoother two-way flow of funds, people and factors of production.
- **Belt & Road (B&R) Initiative:** The Hong Kong Special Administrative Region Government will continue to provide financing services to B&R infrastructure projects, encourage Hong Kong enterprises and professional services sectors to develop business in the overseas Economic and Trade Co-operation Zones set up by our country, and establish connections with Mainland enterprises and industry associations for jointly exploring new markets.

Financial Services

- Issue green bonds totalling HK\$175.5 billion within the next 5 years, and plan to issue retail green bonds
- Roll out Green and Sustainable Finance Grant Scheme to subsidise expenses on bond issuance and external review services
- Issue no less than HK\$24 billion of Silver Bond and no less than HK\$15 billion of iBond in 2021. Lower eligible age for Silver Bond subscription from 65 to 60.
- Provide subsidy for Open-ended Fund Companies to set up in or re-domicile to Hong Kong



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Innovation and Technology

- Earmark over HK\$200 million to roll out “Knowing More About IT” Programme, subsidise primary schools to enhance students’ interests and knowledge in I&T and their applications through extra-curricular activities
- Inject HK\$9.5 billion into the Innovation and Technology Fund by two year instalments
- Hong Kong Monetary Authority to consider enhancing its Fintech Supervisory Sandbox to reduce time for launching innovative financial products in the market
- Press ahead with the development of the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop
- Continue to implement the Science Park expansion and Cyberport 5 development

Air Cargo Sector

- With the expansion of the existing express air cargo terminal, the commissioning of a new premium logistics centre and the Three Runway System, annual cargo handling capacity of Hong Kong International Airport (HKIA) is expected to increase to some 9 million tonnes in 2024
- Explore measures to facilitate trans-shipment through Hong Kong, so as to maintain Hong Kong’s competitive edge as an international air cargo hub
- Redevelop the Air Mail Centre at HKIA to become operational by end 2027 at the earliest

Reviving the Economy

Digital Economy

- Allocate HK\$375 million to Hong Kong Trade Development Council (HKTDC) to enhance its capability to organise online activities and to proceed with digitalisation
- Explore the use of HKTDC’s platforms to assist young business starters in promoting their original products
- Develop the business version of the “iAM Smart” digital authentication platform

Explore Markets

- Inject HK\$1.5 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales, increase funding ceiling per enterprise to HK\$6 million and extend its geographical coverage in phases

Issue Consumption Vouchers

- Issue HK\$5,000 Electronic Consumption Vouchers in

instalments to each eligible Hong Kong permanent resident and new arrival aged 18 or above to facilitate and stimulate local consumption. This measure is expected to benefit around 7.2 million people.

Support Tourism

- Earmark HK\$169 million to continue to take forward local cultural, heritage and creative tourism projects
- Earmark HK\$765 million to support Hong Kong Tourism Board (HKTB) in reviving the tourism industry
- HKTB to conduct a comprehensive review of the positioning of Hong Kong’s tourism in the long run, formulate strategies to spur industry’s recovery



Overcoming the Epidemic

Support Enterprises

- Extend the application period of 100% guarantee low-interest loan for enterprises to the end of 2021, raise loan ceiling to HK\$6 million, extend repayment period and duration of principal moratorium
- Reduce profits tax for 2020-21 assessment year by 100%, subject to a HK\$10,000 ceiling
- Waive business registration fees for 2021-22

Support Employment

- Allocate HK\$6.6 billion to create around 30,000 time-limited jobs
- Launch the fourth tranche of Love Upgrading Special Scheme, provide more training options and online courses

Relieve People’s Hardship

- Set up a special 100% loan guarantee for individuals – extra financing option for the jobless, loan ceiling at HK\$80,000, interest rate at 1% per annum and maximum repayment period of 5 years
- Reduce salaries tax by 100%, subject to a HK\$10,000 ceiling