

Hong Kong

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CPA AUSTRALIA URGES FINANCIAL BURDEN RELIEF AND ECONOMIC RECOVERY SUPPORT IN BUDGET

- CPA Australia proposes short-term relief for low income individuals to boost economic recovery.
- CPA Australia estimates that Hong Kong will record a HK\$308billion fiscal deficit in 2020-21.
- Longer term investment in public health system and healthcare providers urged in Budget submission.

With Hong Kong continuing to face significant economic headwinds, CPA Australia has proposed a range of short-term Budget measures to the government to support businesses and households weather the downturn and the prolonged effects of the pandemic. In addition, we are recommending longer-term reforms to maintain the sustainability of Hong Kong's public finance and improve competitiveness.

Short-term relief for businesses and individuals

Janssen Chan, CPA Australia's Divisional President of Greater China 2021, said "Local business conditions and the labour market are likely to remain under pressure in the first half of this year."

"Partly due to the fourth wave of infections, the unemployment rate for the fourth quarter of 2020 has risen to 6.6 per cent. To boost domestic consumption and stimulate the economy, we suggest the government consider offering an Octopus Card-based consumption voucher scheme to low-income individuals and individuals who lost their jobs due to the pandemic. The initial amount added to a person's Octopus Card could be around HK\$3000 and be topped-up every month for six months."

"This scheme would relieve the financial burden on these individuals and help increase the adoption of electronic payment technologies among businesses," Chan said.

"We also suggest the government consider rolling out a fifth round of the Anti-epidemic Fund (AEF) and tax changes to support small to medium-sized enterprises and sectors hit hardest by COVID-19 such as food and beverages and tourism and hospitality. Support under the AEF could be provided directly to employees and made conditional upon employers retaining staff."

Improving the healthcare system

According to Chan, "The COVID-19 pandemic has highlighted the need to support the healthcare system and the essential role of sanitation and hygiene in public health.

To build the resilience of Hong Kong's healthcare system, we suggest the government considers:

- offering incentives such as a concessionary tax rate to attract and retain healthcare and MedTech companies
- introducing a super tax deduction for expenditure on healthcare and hygiene equipment
- providing support to offline healthcare providers to transition to more innovative delivery models.

Support economic recovery and improve competitiveness

According to CPA Australia's [Hong Kong Tax Survey 2020](#), 44 per cent of survey respondents believe that Hong Kong needs to increase its tax revenue.

“Given the city faces long-term economic and social challenges, we believe that tax reforms should not only focus on simplicity, equity and efficiency, but also to the three ‘Cs’ – certainty, clarity and consistency,” Chan said.

To improve Hong Kong’s competitiveness, Chan suggests the government consider requiring the Exchange Fund to invest a portion of its capital into strategic and high potential projects, including infrastructure. This has the added benefit of such investment not coming direct from the budget, thus potentially improving the government’s budget position over time.

“Given that the socio-economic ramifications of COVID-19 are likely to stretch into 2021 and beyond, acquiring and retaining talent are vital to not only maintaining Hong Kong’s position as one of the world’s most competitive economies, but also to improve living standards in the face of rapidly increasing technology disruption and sectoral transformations.

“CPA Australia suggests that the government consider introducing an immigration investment program focused on investment in strategic industries such as innovation and technology and environmental sustainability. The government could also announce further tax incentives and subsidies to attract talent to Hong Kong, for example, a tax concession on gains from employees exercising stock options,” Chan said.

[Link to CPA Australia’s Submission to HK SAR Government Budget 2021-22](#)

About CPA Australia

CPA Australia is one of the world’s largest accounting bodies with more than 166,000 members working in 100 countries and regions around the world, and more than 25,000 members working in senior leadership positions. It has established a strong membership base of more than 20,000 in the Greater China region.

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