香港董事學會
The Hong Kong Institute of Directors
FOUNDED 1997

HKIoD's Response to the 2021-22 Budget

Note: The response first appeared in Chinese on 24 February 2021

"Real recovery best able to turn deficit around"

The Hong Kong Institute of Directors made the following statement in response to the 2021-22 Government Budget.

* * *

（24 February 2021, Hong Kong）In the view of HKIoD, the Budget delivered today has the aim to help people come through this difficult time, support businesses, and to set the stage for a recovery. A steady effort.

To bring the economy back to life

The Budget Speech lamented that the epidemic is still lingering, and the economy has yet to come out of recession. As such, the most urgent task remains that of fighting the virus so people can get back to their normal lives and businesses can get back on track.

Although the 2020-21 Budget will record a historic high deficit, the Financial Secretary still put forth a deficit budget of over 100 billion dollars to keep counter-cyclical measures going. Dipping into fiscal reserve at the right time to bring the economy back to life is what we will support. We trust that our reserves at the moment would still afford it. The very key is whether we can enhance Government revenue going forward to turn the deficit around.

The Financial Secretary will present a Bill to bring up the stamp duty for stock transfers. We believe the proposal has certain merits. For the last year or two, the stock market has been vibrant still. This goes to show the resiliency of our financial market. To raise the stamp duty will increase transaction costs, but if our market has real attractions such that businesses and investors would want to congregate to do business and make money, that should be able to offset the impact of an increase. We think all stakeholders should debate the issue in earnest to reach an agreeable way forward.

The Financial Secretary will initiate a review of the Rating system. A progressive scale is on the cards, regularised concessions for owner-occupied properties could become possible, and the primary legal responsibility for paying rates may shift from the occupier to the property owner. We think the initiative is pointing to the right direction.

The Financial Secretary mentioned that this would not be the right time for a hike in profits tax and salaries tax rates. And because the focus ought to be on fighting the epidemic and reviving the economy, the conditions are also not ripe for any actual introduction of new taxes, just studies and preparatory work pertaining to such. We do believe the Financial Secretary could have been more emphatic in embarking on a review of the tax regime to make it more suiting Hong Kong needs, particularly on how to deal with the impact of BEPS2.0 that got mentioned in his speech.

Industrial development

The Institute believes economic growth remains our best friend when it comes to finding new monies to tackle livelihood issues. With sustained economic growth, all walks of life are that much more able to share in that prosperity. A real recovery is best able to turn the deficit around.

For the economy to recover in real, Hong Kong must play to its own strength to create value. Segments in the Budget Speech on positioning and direction for economic development are not new tunes. The key is on execution and implementation. We can see great synergy in green economy, innovation & technology and finance. The Budget Speech set out some measures to strengthen the stock and bond market, measures that deserve support. One example is to broaden the type and scope of green bond offerings, which should in turn deepen our bond market while raising funds for sustainable projects, further enhancing our claim to be one international financial centre.

Relief measures

The Budget still carries relief measures, such as reduction for profits tax and salaries tax, and concessions for Rates, but they shrink in quantum when compared to what was offered last year. Assistance to low-income groups also see a slimming. The authorities may yet have to work with social services groups and the Community Care Fund to fashion suitable relief measures for the needy.

The Financial Secretary came up with a Special 100% Loan Guarantee for Individuals Scheme to give the unemployed another financial option. We have reservations about the proposal. Already unemployed and facing a precarious future, is taking on more debt advisable?

As for the consumption voucher proposal, we agree. We also find the concept of issuing vouchers in instalments with time limit for usage agreeable. We hope the Government will perfect the details in quick time and roll it out.

Rescue the businesses that are going under, and save jobs

The loan guarantee schemes that are meant to support SMEs will see some enhancements, so more should be able to get help. But with a harsh winter of an economy setting in, and despite several rounds of relief measures, some number of businesses will run into serious difficulties. When a business fails the jobs go away. People's livelihood becomes an issue. Social stability is threatened. To save businesses from going under is to save the jobs.

If the Government is willing to sponsor those who lost their jobs to borrow their way through, we believe the Government should as well fashion a flexible corporate rescue regime that gives sitting company directors real leeway to explore restructuring options. Corporate rescue legislations have dragged on for some years. We think the Government should push this along in earnest.

Efficiency

The Government pressed on with e-Government services which, in conjunction with efforts to trim expenditure and reset priorities, should go some way to enhance efficiency and strengthen fiscal discipline. At the corporate level, the Financial Secretary mentioned the Distance Business Programme under the Anti-epidemic Fund, which was to encourage businesses to better utilise information technology to capture the upside once the epidemic is over. The Institute holds the view that the transition from surviving to resurging will all the more test company directors' competence and astuteness in their strategic choice. The Institute encourages company directors to up and keep up their capability in fulfilling duties, thereby enhancing corporate governance and creating better value, so to effect a faster stronger recovery.

<END>

About The Hong Kong Institute of Directors
The Hong Kong Institute of Directors ("HKIoD") is Hong Kong's premier body representing directors to foster the long-term success of companies through advocacy and standards-setting in corporate governance and professional development for directors. A non-profit-distributing organisation with membership consisting of directors from listed and non-listed companies, HKIoD is committed to providing directors with educational programmes and information service and establishing an influential voice in representing directors. With international perspectives and a multi-cultural environment, HKIoD conducts business in biliteracy and trilingualism. HKIoD is a member institute of the Global Network of Director Institutes, a worldwide alliance of leading director institutes.
Website: http://www.hkiod.com.

To view other statements by HKIoD on Policy Address and on Government Budget, please go to this site: https://www.hkiod.com/newsrelease.html.

Media Enquiries:
The Hong Kong Institute of Directors

Ms Joanne Yam	+852 2889 1414	joanne.yam@hkiod.com
Ms Odessa SO	+852 2889 4988	odessa.so@hkiod.com