

CORONAVIRUS AND OTHER ECONOMIC HEADWINDS CALL FOR IMMEDIATE MEASURES SAYS CPA AUSTRALIA

(Hong Kong, 20 February 2020) With Hong Kong facing several significant contemporaneous economic challenges, CPA Australia's Greater China Tax Committee estimates that the Hong Kong SAR Government will record a HK\$43.8 billion fiscal deficit for 2019/ 20 excluding HK\$30 billion fund to be set up to tackle coronavirus outbreak. The fiscal reserves will stand at HK\$1.13 trillion at the end of March.

Mr. Anthony Lau, CPA Australia's Divisional President of Greater China 2020 explains, "The deficit for 2019/ 20 is primarily due to the negative economic consequences brought about by US-China trade tensions and local social unrest."

"Further, the outbreak of the coronavirus infection is likely to strain the economy even more this year, so we suggest that the Government consider announcing immediate short-term measures in the Budget to counter the negative economic impacts of the coronavirus infection.

"We also advocate for longer-term reforms to tackle the challenges such as ageing population.

Shaped by member input, CPA Australia proposes a series of suggestions to the Hong Kong Government. These include:

- increasing funding support for SMEs and considering ways to simplify administrative procedures.
- funding a business advice voucher system of HK\$6,000 per business that can be redeemed by selected business – e.g. in selected sectors such as retail, tourism and hospitality, and food and beverages – with their professional business adviser for business advice, so that they are better placed to make decisions on how best to respond to the business impacts of the coronavirus.
- extending the deadline for statutory financial reporting and tax filing for all businesses.
- waiving specific government licence fees for businesses in selected sectors such as retail, tourism and hospitality, and food and beverages (e.g. travel agent licence fees, hotel / guesthouse licence fees, and licence fees for restaurants).
- waiving business registration fees for all small and medium-sized enterprises (SMEs).
- introducing an additional tax deduction for salaries paid by employers, commencing from 1 February 2020 to until the outbreak of the coronavirus infection has subsided.

"Although there will be a fiscal deficit for the financial year 2019-20, with fiscal reserves of HK\$1.13 trillion, the government's finances are in a very strong position. It therefore has the means to introduce additional incentives to boost the economy and improve the livelihood of Hong Kong residents during this challenging period. Measures may include temporarily reducing salaries tax and tax under personal assessment, and linking increases in the personal allowance with the rate of inflation," Mr Lau proposes.

To support SMEs, especially in the retail, tourism and hospitality, and catering sectors – that are most impacted by the economic downturn – Mr Lau suggests that the Government consider reviewing existing measures and introducing further SME support.

“SMEs have benefited from the two-tiered profits tax system; we therefore suggest increasing the threshold from HK\$2 million to HK\$4 million or higher. In addition, the government may consider other preferential treatments like introducing tax loss carry back and offering a one-off reduction of profits tax.”

“For the long-term, the Government should consider conducting a comprehensive review of the tax system and modernising the current tax administration system.”

“Guiding any tax reform agenda should be the principle of maintaining Hong Kong’s low and simple tax system, which is viewed as one of the most important factors in supporting the city’s economy according to our Hong Kong Economic Sentiment Survey 2020.”

CPA Australia will be providing a commentary on the Budget Day which is 26th February 2020.

A hotline (Tel: 2202 2722) will be open for media enquiry.

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About CPA Australia

CPA Australia is one of the world’s largest accounting bodies with more than 165,000 members working in 125 countries and regions around the world, with more than 25,000 members working in senior leadership positions. It has established a strong membership base of more than 19,000 in the Greater China region.

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