

HK\$100b committed to help SMEs thrive

Small businesses, which employ half the private sector workforce, will get a helping hand including loan guarantees of up to 80 percent to weather the economic downturn and be eligible for tax rebates.

The measures were generally welcomed.

John Tsang said he is concerned about difficulties owners of small and medium-sized businesses will face.

To help with funding, the Hong Kong Mortgage Corp will lift the ratio of its SME Financing Guarantee Scheme to 80 percent from 70 percent with the government committing HK\$100 billion. This, he said, will lift banks' confidence "in offering loans to SMEs."

Tsang proposes to slash the loan guarantee fee by more than two-thirds to 10-12 percent of the loan's interest. For example, it now costs HK\$16,000 to insure 70 percent of a HK\$1 million loan, compared with HK\$5,000 under the new scheme to cover 80 percent of the loan. He tipped a default ratio of 12 percent, or spending of HK\$11 billion. But in 2008-10, only 0.69 percent of loans turned bad, costing HK\$510 million.

Hang Seng Bank (0011) chief executive Margaret Leung Ko May-yee believes the proposals will ease financing needs and cut costs of SMEs.

Tsang also proposed a profits tax rebate for fiscal 2011-12 of 75 percent, up to HK\$12,000, and to waive business registration fees for 2012-13. Charges for import and export declarations will be halved.

"We welcome the tax rebate. But it's better to lower the profits tax rate to 15 percent for corporations [from the current 16.5 percent]," Hong Kong SME Association chairman Stephen Kwok Chun-pong said.

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