



April 2020

Employment Update: Approval of the Anti-Epidemic Relief Fund by the Finance Committee

The Finance Committee of the Legislative Council has approved the anti-epidemic relief fund of HK\$ 137.5 billion which includes about HK\$81 billion for an Employment Support Scheme (“ESS”). The purpose of the ESS is to provide financial assistance in exchange for employers undertaking to retain their employees who could otherwise be laid-off or made redundant. Our previous note on the proposal of the ESS can be viewed [here](#). On 18 April 2020, the Government announced that the following proposals had been approved by Finance Committee of the Legislative Council:

- 1) All employers who have been making Mandatory Provident Fund (“MPF”) Contributions or have set up Occupation Retirement Schemes (“ORSO”) for employees are eligible to apply for the subsidy in respect of their full-time and part-time employees (except the Hong Kong SAR Government, statutory bodies and subvented staff in Government funded organisations and other bodies in the exclusion list).
- 2) The wage subsidies to be provided by the Government is calculated based on 50% of the actual wages of the employee (capped at \$18,000) in a specified month for a period of 6 months. The employer may nominate a month between January to March 2020 to make its calculation. We note that the employer will be expected to distribute 100% of the subsidies to the employees and will be prohibited from using the subsidy to offset other company expenses.
- 3) The payment is to be made in two tranches:
 - a) The application of the first tranche is expected to open in the end of May until first week of June. The Government intends to make the first payout by June for the payments of June to August 2020; and
 - b) The second tranche payment is expected to be made in September for payments with respect to September to November 2020. The application date for the second tranche is yet to be announced.

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The details of the application and the payment mechanisms are being worked out with MPF trustees and various stakeholders.

- 4) Employers applying for the ESS will be required to provide an undertaking not to implement redundancy during the subsidy period and to spend all the government wage subsidies in paying wages to their employees. The employees may be engaged in full-time or part-time work as each enterprise's circumstances differ. Should there be any reduction in the number of employees on the payroll within the MPF and the ORSO framework during the period, the ESS subsidy will be adjusted with claw back and other penalty.
- 5) In respect of self-employed persons, they may be eligible for a one-off lump sum subsidy of HK\$ 7,500 if they have made MPF contributions in the past 15 months.
- 6) The Government has stated that it will publish details of all employers who are provided the subsidy and will try to notify employees that their employers have applied for the ESS.

Comments

The ESS is a timely financial relief which is expected to assist in job retention for employees who otherwise stand the risk of losing jobs due to the economic disruption. However, whether employers will take up the subsidy remains to be seen, particularly given that the Government plans to disclose which employers have applied for the ESS. Nonetheless, the details of the application for the first tranche and the implementation details are under discussion and are to be announced before the opening of the application process. For further updates regarding the details, please watch this space.

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