

COVID-19: Singapore Government Financial Assistance Measures

April 2020

In light of the novel coronavirus (“**COVID-19**”) pandemic, the Singapore Government (the “**Government**”) has introduced various financing support, tax and other temporary relief measures designed to help Singapore businesses survive the dramatic short-term effects of COVID-19. Measures include providing financing support in the form of the Temporary Bridging Loan Programme, the Enterprise Financing Scheme – SME Working Capital Loan, the Enterprise Financing Scheme – Trade Loan and the Loan Insurance Scheme, as well as introducing income tax, property tax and social security deferrals and reductions and foreign worker levy waivers and rebates.

In addition, the COVID-19 (Temporary Measures) Act 2020 was enacted on 7 April 2020 to provide Singapore businesses temporary relief from legal action for inability to perform obligations under certain contracts and increased thresholds for insolvency in respect of financially distressed businesses.

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Temporary Bridging Loan Programme (“TBLP”)

- **Eligibility requirements:** To be eligible for the TBLP, the enterprise must be an Accounting and Corporate Regulatory Authority of Singapore (“ACRA”) registered sole proprietorship, partnership, limited liability partnership or company which is physically present in Singapore and have at least 30% local equity held directly or indirectly by Singapore citizen(s) and/or Singapore Permanent Resident(s) (“PR(s)”), determined by the ultimate individual ownership. The approval of the loan is also ultimately subject to the assessment of relevant participating financial institutions (“PFIs”) which includes most of the major banks in Singapore.
- **Purpose:** The TBLP provides access to working capital for business needs.
- **Maximum loan amount:** Eligible enterprises (on a group-wide basis) may borrow up to S\$5 million under the TBLP, with the interest rate capped at 5% per annum from PFIs.
- **Maximum guarantee amount:** The Government will provide 90% risk-share on these loans for new applications initiated from 8 April 2020 until 31 March 2021. Under such risk-share arrangements, the borrower is still responsible to repay 100% of the loan amount. When default occurs, the PFIs are obligated to follow their standard commercial recovery procedure, including the realisation of security, before they can make a claim against Enterprise Singapore for the unrecovered amount in proportion to the risk-share.
- **Maximum repayment period:** Five years.
- **Deferral of principal repayment:** Eligible enterprises under the TBLP may also apply for up to one year deferral of principal repayment to help manage their debt, subject to assessment by the PFIs.

Enterprise Financing Scheme – Trade Loan (“EFS-TL”)

- **Eligibility requirements:** To be eligible for the EFS-TL, the enterprise must be registered with ACRA as a company, business or firm and operating in Singapore, have a minimum of 30% local shareholding and a maximum borrower group revenue cap of S\$500 million for all enterprises.
- **Purpose:** The EFS-TL provides access to credit for financing trade needs.
- **Maximum loan amount:** Eligible enterprises may borrow up to S\$10 million from PFIs, subject to overall loan exposure limit of S\$50 million per borrower group across all areas.
- **Maximum guarantee amount:** The Government will provide 90% risk-share on these loans. Under such risk-share arrangements, the borrower is still responsible to repay 100% of the loan amount. When default occurs, the PFIs are obligated to follow their standard commercial recovery procedure, including the realisation of security, before they can make a claim against Enterprise Singapore for the unrecovered amount in proportion to the risk-share.

Enterprise Financing Scheme – SME Working Capital Loan (“EFS-WCL”)

- **Eligibility requirements:** To be eligible for the EFS-WCL, the enterprise must be an ACRA registered sole proprietorship, partnership, limited liability partnership or company that is physically present in Singapore and have at least 30% local equity held directly or indirectly by Singapore citizen(s) and/or PR(s), determined by the ultimate individual ownership. In addition, the enterprise is subject to a maximum group revenue cap of S\$100 million or a maximum employment of 200 employees, and there is a maximum borrower group (including corporate shareholders that hold more than 50% of the total shareholding of the applicant company, and all parent companies and subsidiaries of such corporate shareholders) revenue cap of S\$500 million.

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- **Purpose:** The EFS-WCL provides small and medium enterprises (being a company with a group revenue of up to S\$100 million or maximum employment of 200 employees) with access to working capital to finance operational cashflow needs.
 - **Maximum loan amount:** Eligible enterprises may borrow up to S\$1 million from PFIs, subject to overall loan exposure limit of S\$50 million per borrower group across all areas.
 - **Maximum guarantee amount:** The Government will provide 90% risk-share on these loans. Under such risk-share arrangements, the borrower is still responsible to repay 100% of the loan amount. When default occurs, the PFIs are obligated to follow their standard commercial recovery procedure, including the realisation of security, before they can make a claim against Enterprise Singapore for the unrecovered amount in proportion to the risk-share.
 - **Maximum repayment period:** Five years.
 - **Deferral of principal repayment:** Eligible enterprises under the EFS-WCL may also apply for up to a one-year deferral of principal repayment to help manage their debt, subject to assessment by the PFIs.

Loan Insurance Scheme (“LIS”)

- **Eligibility requirements:** To be eligible for the LIS, the enterprise must be an ACRA registered sole proprietorship, partnership, limited liability partnership or company that is physically present in Singapore and have at least 30% local equity held directly or indirectly by Singapore citizen(s) and/or PR(s), determined by the ultimate individual ownership. In addition, applicants are subject to a maximum group revenue cap of S\$100 million or a maximum employment of 200 employees.
- **Purpose:** Enterprises can secure short-term trade financing loans via LIS from PFIs.
- **Maximum guarantee amount:** Loans are insured by commercial insurers who will co-share loan default with the PFI in the event of enterprise insolvency. The Government will subsidise up to 80% of the insurance premium until 31 March 2021.

Tax and Other Relief Measures

Income Tax

- **Deferrals:** All companies with corporate income tax payments due in the months of April, May, and June 2020 will be granted an automatic three-month deferment of these payments. The corporate income tax payments deferred from April, May and June 2020 will be collected in July, August and September 2020 respectively.
- **Financial year extension:** All companies with financial years ending in January 2020 will be granted an automatic extension until 31 May 2020 to file their Year of Assessment 2021 estimated chargeable income.
- **Interest-free instalments:** Companies that pay taxes in instalments through GIRO and (i) file their estimated chargeable income from 19 February 2020 to 31 December 2020, or (ii) have filed their estimated chargeable income before 19 February 2020 and have ongoing instalment payments to be made in March 2020, will automatically be granted an additional two months of interest-free instalments.

Property Tax

- **Rebates:** Non-residential properties will be granted a Property Tax Rebate (“PTR”) payable for the period from 1 January 2020 to 31 December 2020.
- **Qualifying properties:** Qualifying commercial properties (e.g. hotels, serviced apartments, tourist attractions, shops and restaurants) will be eligible for a 100% PTR. The Integrated Resorts (i.e. Marina Bay Sands and Resorts World Sentosa) will be eligible for a 60% PTR. All other non-residential properties (e.g. offices or industrial properties) will qualify for a 30% PTR.

Social Security (Deferrals and Reductions)

- **CPF contributions and the JSS:** The Government will support Central Provident Fund (“CPF”) contributions required to be made by employers via an enhanced jobs support scheme (“JSS”) to help companies retain their local employees (Singapore citizens and PRs). All active employers (which includes employees of a company who are also shareholders and directors of a company with assessable income of S\$100,000 or less for the year of assessment 2019), with the exception of certain employers such as government organisations (local and foreign) and representative offices, are automatically eligible to participate in the JSS.
- As part of the JSS, the Government will co-fund employee wages and pay between 25% and 75% of the first S\$4,600 of gross monthly wages (which includes employee CPF contributions, but excludes employer CPF contributions) for nine months for all employees who are Singapore citizens and PRs. The amount co-funded will depend on the employer’s business sector – higher amounts of co-funding are available to sectors relating to aviation and tourism (75%) and food services (50%) on the grounds that these are more severely affected. Notwithstanding the foregoing, the Government will pay 75% of the first S\$4,600 of monthly salaries for all employees who are Singapore citizens and PRs across all sectors for April and May 2020.

Foreign Worker Levy

- **Waiver of FWL:** The Foreign Worker Levy (“FWL”) (which is imposed on employers who employ foreigners on a work permit or temporary work permit) will be waived for the months of April and May 2020.
- **FWL rebate:** Employers will also be entitled to a FWL rebate of S\$750 per month from levies paid this year, for each work permit or S-Pass holder in April and May 2020.

Temporary Relief for Inability to Perform Contracts

The COVID-19 pandemic and its impact on economic activity has resulted in many businesses being unable to fulfil their contractual obligations. As a result, such businesses are exposed to the consequences of failing to comply, such as damages claims, forfeiture of deposits, termination of leases and insolvency proceedings.

The COVID-19 (Temporary Measures) Act 2020 (the “**COVID-19 Act**”) was enacted on 7 April 2020. The provisions in the COVID-19 Act providing temporary relief to businesses who are unable to fulfil their contractual obligations due to COVID-19 commenced on 20 April 2020, and will last up to and including 19 October 2020 (“**prescribed period**”). The prescribed period may be extended up to a year.

The COVID-19 Act applies to contractual obligations that are to be performed on or after 1 February 2020 in respect of certain types of contracts that were entered into or renewed before 25 March 2020, and the inability to perform such contractual obligations must be to a material extent caused by a COVID-19 event.

Types of contracts covered under the COVID-19 Act

The types of contracts covered by the COVID-19 Act include:

- certain loan facilities granted by a bank or a finance company to enterprises (i.e. businesses in Singapore where not less than 30% of its shares or other ownership interest is held by Singapore citizens or PRs or both and the turnover of the group to which it belongs does not exceed S\$100 million in the latest financial year) where the loans are fully or partially secured against any commercial or industrial property located in Singapore or any plant, machinery or fixed asset located in Singapore that is used for manufacturing, production or other business purposes;
- construction contracts or supply contracts;
- performance bonds or equivalent that are granted pursuant to construction contracts or supply contracts;
- certain hire-purchase agreements or conditional sales agreements;

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- contracts for the provision of goods and services for events;
 - certain tourism-related contracts; and
 - leases or licences for non-residential immovable property.

Procedures for obtaining relief

A party who wishes to obtain temporary relief under the COVID-19 Act should serve a notification for relief on the other parties to the contract and any guarantor or surety for its obligation in the contract.

As a safeguard against unfair outcomes, assessors will be appointed by the Minister for Law to resolve disputes arising from the application of the COVID-19 Act. The assessors will decide if the case is one to which the relief under the COVID-19 Act applies, and they will have the power to grant relief that is just and equitable in the circumstances. The assessors' decisions will be final and are not appealable. No party will be allowed to be represented by lawyers, and each party must bear the party's own costs for proceedings before an assessor.

Consequences of obtaining relief

Upon receiving the notification for relief, counterparties to the relevant contracts are prohibited from taking legal actions such as:

- starting or continuing court proceedings or insolvency proceedings;
- repossession of any goods under a hire-purchase agreement;
- enforcement of security over (i) commercial or industrial property located in Singapore, and (ii) plant, machinery or fixed asset located in Singapore that is used for manufacturing, production or other business purposes; and
- termination of a lease or licence of immovable property as a result of the non-payment of rent or other moneys.

The prohibitions will remain in place until after the earliest of:

- the expiry of the prescribed period;
- the withdrawal of the notification for relief; and
- the assessor making a determination that the case in question is not one to which the COVID-19 Act applies.

Temporary Relief for Financially Distressed Businesses

The COVID-19 Act also grants temporary relief for businesses in financial distress. Measures in the COVID-19 Act relating to corporate insolvency commenced on 20 April 2020 and will apply during the prescribed period.

These measures include:

- increasing the monetary threshold under the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") for which a company is deemed to be unable to pay its debts from S\$10,000 to S\$100,000; and
- increasing the time period for a company to satisfy a statutory demand from creditors from 21 days to six months.

In addition, the COVID-19 Act also provides the officers of a company a safe harbour from liability arising from insolvent trading. Under the Companies Act, if an officer of a company contracted for a debt, and such officer had, at the time the debt was contracted, no reasonable or probable ground of expectation of the company

being able to pay the debt, such an officer would be guilty of a criminal offence and be made personally liable to repay the debt. The safe harbour provision introduced by the COVID-19 Act enables a company to carry on trading while insolvent by temporarily relieving the officers from liability if the debts are incurred in the company's ordinary course of business during the prescribed period and before the appointment of a judicial manager or liquidator of the company.

Conclusions

Financing support and other temporary relief measures implemented by the Government to ensure business continuity, such as the EFS-TL, the EFS-WCL and the LIS, are primarily intended to support Singapore based small and medium enterprises. In this regard, large corporates whose group revenue exceed a certain cap may find themselves not being able to qualify for some of these measures. Such large corporates may be eligible to apply for the TBLP, subject to the approval of PFIs.

The COVID-19 Act is a legislation borne out of necessity in light of the challenging circumstances faced globally. The Government has sought to provide businesses with breathing space to assess their position and consider what actions to take in light of the COVID-19 situation. Businesses should note that there are specific criteria for temporary relief under the COVID-19 Act and should assess the applicability of the COVID-19 Act and the knock-on effect on other contractual terms (such as finance arrangements elsewhere in a global group which contain a suspension of payments event of default) before halting the performance of their contractual obligations.

We encourage our clients to consider the opportunities presented by the available financing support, tax and other relief measures carefully, consulting with us as appropriate.

In addition, White & Case has carried out an analysis of global governmental responses to the COVID-19 crisis. These vary considerably from country to country and are being updated and amended regularly.

We have prepared an in-depth and nuanced analysis for various major jurisdictions and pulled together a global response team.

For useful information on COVID-19, please consult the Coronavirus section of www.whitecase.com.

Annex I

The Government has introduced certain financing support, tax and other relief measures to support the liquidity of companies and ensure business continuity. The applicable measures are summarised below.

Applicable Measures	Summary
Temporary Bridging Loan Programme	<p><i>Eligibility requirements:</i></p> <ol style="list-style-type: none"> 1. ACRA registered sole proprietorship, partnership, limited liability partnership or company; 2. physically present in Singapore; 3. at least 30% local equity held directly or indirectly by Singapore citizen(s) and/or PR(s), determined by the ultimate individual ownership; and 4. approval of TBL subject to PFI's assessment. <p><i>Purpose:</i> Working capital for business needs.</p> <p><i>Maximum loan amount:</i> S\$5 million (on a group-wide basis); Interest capped at 5% per annum.</p> <p><i>Maximum guarantee amount:</i> 90% risk-share (borrower still responsible to repay 100% of loan amount). PFIs obligated to follow their standard commercial recovery procedure, including the realisation of security, before they can make a claim against Enterprise Singapore for the unrecovered amount in proportion to the risk-share.</p> <p><i>Maximum repayment period:</i> five years.</p> <p><i>Deferral of principal repayment:</i> Up to one year, subject to assessment by PFIs.</p>
Enterprise Financing Scheme – Trade Loan	<p><i>Eligibility requirements:</i></p> <ol style="list-style-type: none"> 1. registered with ACRA as a company, business or firm and operating in Singapore; 2. operating in Singapore; 3. at least 30% local shareholding; and 4. maximum borrower group revenue cap of S\$500 million. <p><i>Purpose:</i> Access to credit for financing trade needs.</p> <p><i>Maximum loan amount:</i> S\$10 million (subject to overall exposure limit of S\$50 million per borrower group across all areas).</p> <p><i>Maximum guarantee amount:</i> 90% risk-share.</p>
Enterprise Financing Scheme – SME Working Capital Loan	<p><i>Eligibility requirements:</i></p> <ol style="list-style-type: none"> 1. ACRA registered sole proprietorship, partnership, limited liability partnership or company; 2. physically present in Singapore;

	<p>3. at least 30% local equity held directly or indirectly by Singapore citizen(s) and/or PR(s), determined by the ultimate individual ownership; and</p> <p>4. maximum group revenue cap of S\$100 million or a maximum employment of 200 employees with a maximum borrower group revenue (including corporate shareholders that hold more than 50% of the total shareholding of the applicant company, and all parent companies and subsidiaries of such corporate shareholders) cap of S\$500 million.</p> <p><i>Purpose:</i> Working capital to finance operational cashflow needs.</p> <p><i>Maximum loan amount:</i> S\$1 million (subject to overall cap of S\$50 million per borrower group across all areas).</p> <p><i>Maximum guarantee amount:</i> 90% risk-share.</p> <p><i>Maximum repayment period:</i> Five years.</p> <p><i>Deferral of principal repayment:</i> Up to one year, subject to assessment by PFIs.</p>
Loan Insurance Scheme	<p><i>Eligibility requirements:</i></p> <ol style="list-style-type: none"> 1. ACRA registered sole proprietorship, partnership, limited liability partnership or company; 2. physically present in Singapore; 3. at least 30% local shareholding; and 4. group revenue of up to S\$100 million or maximum employment of 200 employees. <p><i>Purpose:</i> Secure short-term trade financing loans from PFIs.</p> <p><i>Maximum Loan Amount:</i> Not specified.</p> <p><i>Maximum guarantee amount:</i> Loans insured by commercial insurers who will co-share loan default with the PFI in the event of enterprise insolvency. The Government will subsidise up to 80% of the insurance premium.</p>
Tax and Other Relief Measures	<p>Income Tax</p> <p>Income tax payments due in the months of April, May, and June 2020 will be granted an automatic three-month deferment of these payments.</p> <p>Companies with financial years ending in January 2020 will be granted an automatic extension until 31 May 2020 to file their Year of Assessment 2021 estimated chargeable income.</p> <p>Companies will be granted additional two months of interest-free payment of tax instalments.</p> <p>Property Tax</p> <p>Rebates for non-residential properties for the period from 1 January 2020 to 31 December 2020.</p> <p>Different percentage rates of Property Tax rebates for qualifying commercial properties.</p> <p>Commercial property owners to unconditionally pass on their Property Tax rebates in full to their tenants.</p>

	<p>Social Security (Deferrals, Reductions)</p> <p>All employers (with certain exceptions) eligible to participate in JSS, which includes the Government paying between 25% and 75% of the first S\$4,600 of gross monthly wages (which includes employee CPF contributions but excludes employer CPF contributions) for nine months for all employees who are Singapore citizens and PRs. Notwithstanding the foregoing, the Government will pay 75% of the first S\$4,600 of monthly salaries for all employees who are Singapore citizens and PRs across all sectors for April and May 2020.</p> <p>Foreign Worker Levy</p> <p>Waiver of FWL for the months of April and May 2020 and entitlement to a FWL rebate of S\$750 from levies paid this year, for each work permit or S-Pass holder in April and May 2020.</p>
<p>Temporary Relief Measures relating to Contractual Obligations</p>	<p>The COVID-19 Act provides temporary relief from the inability to perform contractual obligations under certain types of contracts if that inability is materially caused by a COVID-19 event.</p> <p>The measures apply to contractual obligations that are to be performed on or after 1 February 2020, and only for certain contracts that were entered into before 25 March 2020.</p> <p>If served with a notice of relief, the counterparty is prohibited from taking legal actions, such as commencing or continuing any court or insolvency proceedings and enforcing any security over certain property.</p> <p>The period of relief will be for six months, from 20 April 2020 to 19 October 2020, and may be extended to up to a year.</p>
<p>Temporary Relief Measures relating to Insolvency</p>	<p>The COVID-19 Act implements measures relating to insolvency to assist financially distressed businesses.</p> <p>The monetary threshold for corporate insolvency has been increased from S\$10,000 to S\$100,000.</p> <p>Time period to satisfy a statutory demand from creditors has been increased from 21 days to six months.</p> <p>Officers of a company are temporarily relieved of their obligations to prevent trading while insolvent if the debts are incurred in the company's ordinary course of business.</p> <p>The period of relief will be for six months, from 20 April 2020 to 19 October 2020, and may be extended to up to a year.</p>

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