

Dispute Resolution

## Temporary Relief for Breach of Contract under the New COVID-19 Bill

1. The new COVID-19 (Temporary Measures) Bill ("**COVID Bill**") will be introduced in Parliament next week and is anticipated to be passed into law shortly after.
2. As the title suggests, the COVID Bill is intended to provide targeted and temporary relief for parties that due to the ongoing COVID-19 pandemic, find themselves unable to perform obligations under certain scheduled contracts – including contracts to which the government is a party.

### Scheduled Contracts

3. The scheduled contracts are:
  - Secured loans from a bank or finance company that are (a) made to a local SME; and (b) secured against non-residential property in Singapore, or against any plant, machinery or fixed asset used for business purposes. (A local SME is defined as being at least 30% owned by Singaporean residents (including PRs) with turnover not exceeding \$100 million for the last financial year);
  - Any hire purchase agreement for a commercial vehicle or any plant, machinery or fixed asset used for business purposes;
  - Leases or licences for non-residential immovable property;
  - Construction or supply contracts;
  - Contracts for the provision of goods and services for events such as weddings and conventions; and
  - Tourism contracts such as cruises, hotel accommodation bookings.
4. The list of scheduled contracts can be varied by the Minister.

### Six-month Moratorium

5. A debtor under any of these contracts may issue a notification for relief if he finds that an obligation due on or after 1 February 2020 cannot be carried out due to the COVID-19 pandemic. Upon which, for a period of six months (which can be extended or shortened), the COVID Bill will prohibit creditors from taking any of the following actions:
  - Court, domestic arbitration, and insolvency proceedings, as well as execution proceedings against the debtor's property;

## Dispute Resolution

- Enforcement of security against immovable property or movable property used for business purposes;
  - Appointing a receiver and manager over the debtor's property;
  - Calling on a performance bond given for a construction or supply contract;
  - Terminating a lease or license over immovable property due to non-payment of rent;
  - Exercising any right of re-entry or forfeiture under a lease or license over immovable property.
6. In addition, any guarantor or surety of the debtor will enjoy the same protection.
  7. Additionally, any liquidated damages for construction and supply contracts may be disregarded for so long as the debtor is prevented by the COVID-19 pandemic from performing his obligations; and such inability will also provide a substantive defence to any subsequent claim for breach.
  8. Finally, parties to event and tourism contracts may enjoy relief from forfeiture of deposits once a notification for relief is served, unless the forfeiture is just and reasonable.
  9. As the moratorium period essentially suspends the taking of Court or arbitration proceedings, the COVID Bill also provides for an extension of any applicable limitation period for the period of the moratorium. However, any breach of the moratorium may result in criminal penalties of a fine of up to \$1,000.

### **New Panel of Assessors**

10. The COVID Bill also introduces a new role of assessors, appointed by the Minister. The Assessor's role is to summarily determine whether a notification for relief has been properly made, or whether it is just and equitable that a deposit given for an event contract should be forfeited. It is intended to be a quick summary procedure; parties will not be permitted representation by lawyers and no costs orders will be made. The Assessor's decisions are intended to be final and cannot be appealed.

### **Temporary Amendments to Existing Insolvency Legislation**

11. Finally, the COVID Bill will also temporarily amend the existing bankruptcy and insolvency legislation to:
  - Increase the debt thresholds for bankruptcy and insolvency from \$15,000 to \$60,000 and \$10,000 to \$100,000 respectively; and
  - Increase the time period to respond to statutory demands from creditors from 21 days to six months.

## Dispute Resolution

12. The COVID Bill also provides relief for directors from insolvent trading, so long as the debts are incurred in the ordinary course of business.
13. The COVID Bill is only intended to be in effect for one year. Given the unprecedented nature of the relief offered, and the fact that it is being urgently passed into legislation, it is anticipated that its impact and effects will be closely reviewed by the Ministry through this period, and tweaks and amendments are likely so as to finetune the legislation through experience.

For further queries, please feel free to contact our team below.

For more articles and updates from our teams across the region on COVID-19 and related legal issues, please visit [Rajah & Tann Asia's COVID-19 Resource Centre](#).

Dispute Resolution

## Contacts



**Patrick Ang**  
Managing Partner  
Partner, Restructuring &  
Insolvency

T +65 6232 0400

[patrick.ang@rajahtann.com](mailto:patrick.ang@rajahtann.com)



**Sim Kwan Kiat**  
Head, Restructuring &  
Insolvency

T +65 6232 0436

[kwan.kiat.sim@rajahtann.com](mailto:kwan.kiat.sim@rajahtann.com)



**Chew Xiang**  
Partner, Restructuring &  
Insolvency

T +65 6232 0418

[xiang.chew@rajahtann.com](mailto:xiang.chew@rajahtann.com)

---

Please feel free to also contact Knowledge and Risk Management at [eOASIS@rajahtann.com](mailto:eOASIS@rajahtann.com).

## Our Regional Contacts

RAJAH & TANN | *Singapore*

**Rajah & Tann Singapore LLP**

T +65 6535 3600  
sg.rajahtannasia.com

R&T SOK & HENG | *Cambodia*

**R&T Sok & Heng Law Office**

T +855 23 963 112 / 113  
F +855 23 963 116  
kh.rajahtannasia.com

RAJAH & TANN 立杰上海

SHANGHAI REPRESENTATIVE OFFICE | *China*

**Rajah & Tann Singapore LLP  
Shanghai Representative Office**

T +86 21 6120 8818  
F +86 21 6120 8820  
cn.rajahtannasia.com

ASSEGAF HAMZAH & PARTNERS | *Indonesia*  
**Assegaf Hamzah & Partners**

**Jakarta Office**

T +62 21 2555 7800  
F +62 21 2555 7899

**Surabaya Office**

T +62 31 5116 4550  
F +62 31 5116 4560  
www.ahp.co.id

RAJAH & TANN | *Lao PDR*

**Rajah & Tann (Laos) Co., Ltd.**

T +856 21 454 239  
F +856 21 285 261  
la.rajahtannasia.com

CHRISTOPHER & LEE ONG | *Malaysia*

**Christopher & Lee Ong**

T +60 3 2273 1919  
F +60 3 2273 8310  
www.christopherleeong.com

RAJAH & TANN | *Myanmar*

**Rajah & Tann Myanmar Company Limited**

T +95 1 9345 343 / +95 1 9345 346  
F +95 1 9345 348  
mm.rajahtannasia.com

GATMAYTAN YAP PATACSIL

GUTIERREZ & PROTACIO (C&G LAW) | *Philippines*

**Gatmaytan Yap Patacsil Gutierrez & Protacio (C&G Law)**

T +632 8894 0377 to 79 / +632 8894 4931 to 32  
F +632 8552 1977 to 78  
www.cagatlaw.com

RAJAH & TANN | *Thailand*  
**R&T Asia (Thailand) Limited**

T +66 2 656 1991  
F +66 2 656 0833  
th.rajahtannasia.com

RAJAH & TANN LCT LAWYERS | *Vietnam*  
**Rajah & Tann LCT Lawyers**

**Ho Chi Minh City Office**

T +84 28 3821 2382 / +84 28 3821 2673  
F +84 28 3520 8206

**Hanoi Office**

T +84 24 3267 6127  
F +84 24 3267 6128  
www.rajahtannlct.com

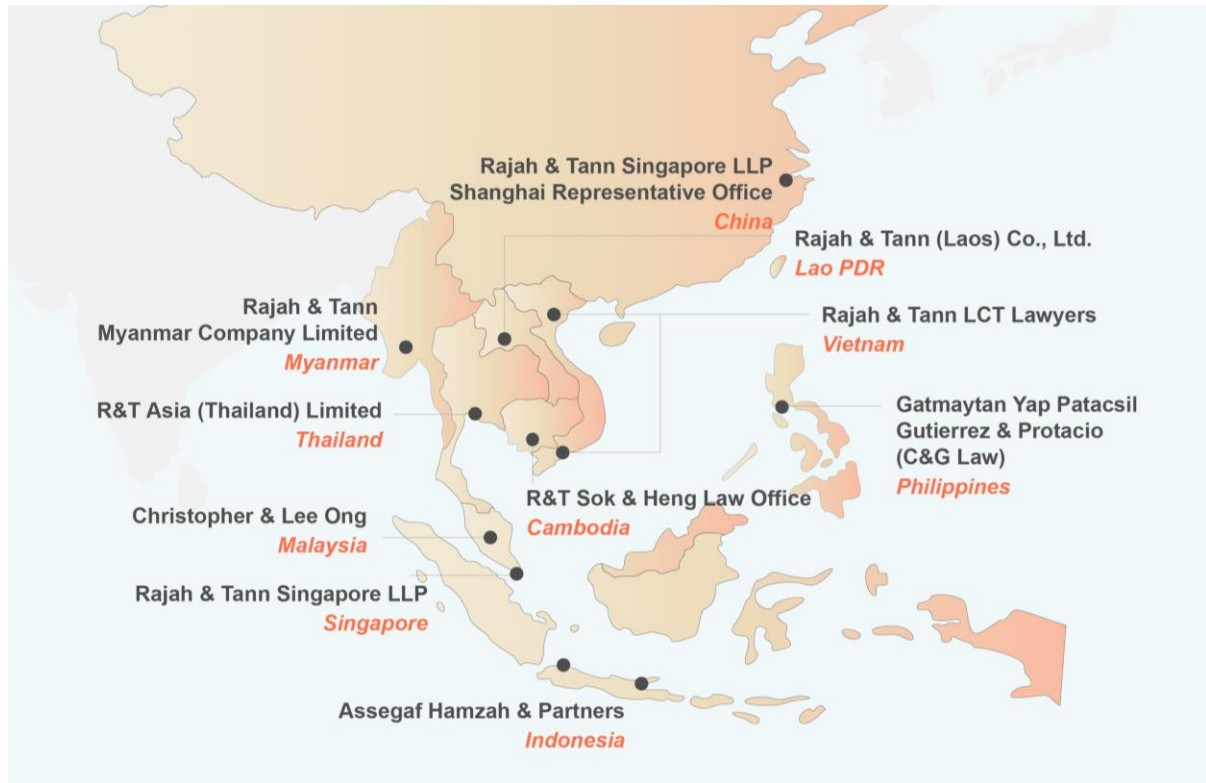
Rajah & Tann Asia is a network of legal practices based in South-East Asia. Member firms are independently constituted and regulated in accordance with relevant local legal requirements. Services provided by a member firm are governed by the terms of engagement between the member firm and the client.

This Update is solely intended to provide general information and does not provide any advice or create any relationship, whether legally binding or otherwise. Rajah & Tann Asia and its member firms do not accept, and fully disclaim, responsibility for any loss or damage which may result from accessing or relying on this Update.

# Client Update: Singapore

## 2020 APRIL

## Our Regional Presence



Rajah & Tann Singapore LLP is one of the largest full-service law firms in Singapore, providing high quality advice to an impressive list of clients. We place strong emphasis on promptness, accessibility and reliability in dealing with clients. At the same time, the firm strives towards a practical yet creative approach in dealing with business and commercial problems. As the Singapore member firm of the Lex Mundi Network, we are able to offer access to excellent legal expertise in more than 100 countries.

Rajah & Tann Singapore LLP is part of Rajah & Tann Asia, a network of local law firms in Singapore, Cambodia, China, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Thailand and Vietnam. Our Asian network also includes regional desks focused on Brunei, Japan and South Asia.

The contents of this Update are owned by Rajah & Tann Singapore LLP and subject to copyright protection under the laws of Singapore and, through international treaties, other countries. No part of this Update may be reproduced, licensed, sold, published, transmitted, modified, adapted, publicly displayed, broadcast (including storage in any medium by electronic means whether or not transiently for any purpose save as permitted herein) without the prior written permission of Rajah & Tann Singapore LLP.

Please note also that whilst the information in this Update is correct to the best of our knowledge and belief at the time of writing, it is only intended to provide a general guide to the subject matter and should not be treated as a substitute for specific professional advice for any particular course of action as such information may not suit your specific business and operational requirements. It is to your advantage to seek legal advice for your specific situation. In this regard, you may call the lawyer you normally deal with in Rajah & Tann Singapore LLP or email Knowledge & Risk Management at [eOASIS@rajahandtann.com](mailto:eOASIS@rajahandtann.com).