

Tax, Employment & Benefits

In Solidarity: Third Budget to Support Businesses through COVID-19 Circuit Breaker Measures

Introduction

On 3 April 2020, Singapore announced that she was moving to implement circuit breaker measures to control the spread of COVID-19. As covered in our earlier [Client Update](#), these circuit breaker measures include school closures and shutdowns for all businesses except those providing essential services, and will remain in place from 7 April 2020 to 4 May 2020 (both dates inclusive).

To alleviate the hardship consequent upon business closures, the Deputy Prime Minister and Minister for Finance, Mr Heng Swee Keat, announced the S\$5.1 billion Solidarity Budget on 6 April 2020, of which S\$4 billion will go towards supporting businesses and workers.

This Update discusses the additional support provided for businesses, which includes measures such as further enhancements to the Jobs Support Scheme and rebates for foreign worker levies paid in 2020. It also covers other relief measures employed by the Monetary Authority of Singapore ("**MAS**") to assist small and medium enterprises ("**SMEs**") with continued access to bank credit and insurance cover, and to ensure interbank funding markets remain liquid and well-functioning.

Wage Support under the Jobs Support Scheme ("**JSS**")

The Unity Budget established the JSS to help enterprises retain their local employees by providing a cash grant for a portion of the monthly wages of each local employee. This was significantly enhanced in the Resilience Budget.

In light of the near-cessation of all business activity, the JSS has been temporarily enhanced for **April 2020 only**. Companies will receive the first payment by April 2020 instead of May 2020, while the timing of further payouts in July and October 2020 remain.

	Resilience Budget	Solidarity Budget
Quantum	<p>25% cash grant for all sectors excluding food services, aviation, and tourism</p> <p>50% for food services, including food shops, food stalls, and hawker stalls</p>	75% for all sectors

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	Resilience Budget	Solidarity Budget
	75% for aviation and tourism, including hotels, travel agents, tourist attractions, and Purpose-built Meetings, Incentives, Conferences and Exhibitions ("MICE") venue operators	
Wage cap	First S\$4,600 of each local employee's monthly wages	First S\$4,600 of each local employee's monthly wages
Length of support	Nine months	April 2020

It should be noted that the JSS will be in place for a total of nine months; the Solidarity Budget merely enhances the existing support for April 2020 and does not extend the JSS by another month.

Further details are available in [Annex B-1 of the Solidarity Budget](#), including worked examples of JSS payouts under different scenarios where, for instance, an employer retrenches a worker or puts them on no-pay leave.

Waiver and Rebate for Foreign Worker Levy

The Resilience Budget allowed SMEs an additional three months to make their foreign worker levy payments without being exposed to revocation actions. Under the Solidarity Budget, the monthly foreign worker levy for April 2020 will be waived entirely, while employers will receive a rebate of S\$750 for each work permit or S pass holder (based on levies paid in 2020) to further ease the cash flow pressure. The rebate will be paid out as early as 21 April 2020.

This comes in addition to the levy waiver for up to 90 days for foreign workers who are on overseas leave, as announced by the Ministry of Manpower on 24 March 2020.

Rent Relief

Despite the enhanced Property Tax Rebate announced in the Resilience Budget, some tenants have complained that the relief has not been passed down to them by their landlords. In response, the COVID-19 (Temporary Measures) Act ("COVID-19 Act") was passed on 7 April 2020. Under Part 7 of the COVID-19 Act, landlords must pass on the rebate to tenants in full, without conditions, and within the prescribed time.

At the time of writing, there was no further information on what the prescribed time is nor when Part 7 will come into force. Once the rebates are passed down, however, they will generally equate to slightly above one month's rent for most tenants. Our Client Update [here](#) contains further details on the impact for property owners and tenants.

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To lead by example, the government's industrial, office, and agricultural tenants will receive a full month's waiver in rent, increased from the 0.5 month waiver under the Resilience Budget, while commercial tenants continue to receive two months' waiver.

Enhanced Financing Support

The Resilience Budget laid out enhancements to three loan schemes, briefly summarised below:

1. *Temporary Bridging Loan Scheme ("TBLs")*: available to all sectors with a maximum loan quantum of S\$5 million and a one year deferment of principal repayment, subject to assessment by participating financial institutions ("PFIs").
2. *Enterprise Financing Scheme – SME Working Capital Loan ("EFS-WCL")*: available for SMEs with a maximum loan quantum of S\$1 million and a one year deferment of principal repayment, subject to assessment by PFIs.
3. *Enterprise Financing Scheme – Trade Loan*: available for trade financing needs with a maximum loan quantum of S\$10 million per borrower group. A deferment is not available.

The government's risk share for all three schemes have now been increased from 80% to 90% for loans initiated from 8 April 2020 until 31 March 2021. This means that should borrowers default on their loans, PFIs can seek repayment of 90% of the loan from the government, which in turn means that PFIs will extend credit to borrowers more readily.

MAS Relief Measures

In collaboration with the Association of Banks in Singapore ("**ABS**"), the Life Insurance Association ("**LIA**"), the General Insurance Association ("**GIA**"), and the Finance Houses Association of Singapore ("**FHAS**"), MAS announced a package of measures on 31 March 2020 to help relieve the financial strain on individuals and SMEs by managing their cash flows and meeting ongoing financial obligations.

The package comprises three components:

1. help for individuals to meet their loan and insurance commitments;
2. supporting SMEs' access to bank credit and insurance cover; and
3. ensuring that interbank funding markets remain liquid and well-functioning.

We focus on the latter two components below.

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Supporting SMEs' Access to Bank Credit and Insurance Cover

For secured term loans, SMEs may opt for a deferment of principal payments until 31 December 2020, and to have the tenure of their loans extended by the length of the deferment period. This deferment is dependent on banks' and finance companies' assessment of the quality of the SMEs' security, and whether they are in good standing with the same, not being more than 90 days past due as of 6 April 2020. Interest must continue to be paid.

With regard to other types of loan facilities, banks and finance companies have indicated that they may consider adjusting the loan repayment schedules for SME customers.

To lower the interest rates for eligible SME borrowers, banks and finance companies are eligible to apply for low-cost funding from MAS for loans granted under the enhanced EFS-WCL and TBLP, but must commit to passing on the savings in funding cost to SME borrowers. Further details will be provided at a later date.

For general insurance policies that protect business and property risks, SMEs (and companies in general) may apply to their insurer to pay their premiums in instalments to enjoy coverage for the paid-up period.

Ensuring Liquid and Well-Functioning Funding Markets

MAS has been providing ample SGD liquidity to the banking system, and established a new MAS USD Facility to provide up to US\$60 billion of funding to support stable USD liquidity conditions. This will enable financial institutions to fund themselves and continue providing essential financial services and intermediate credit to businesses.

Concluding Remarks

These are uncertain times. Already, the Minister for Trade and Industry, Mr Chan Chun Sing, has warned on 6 April 2020 that the circuit breaker measures may be extended beyond 4 May 2020 should COVID-19 continue to spread throughout the community. Even as businesses firefight to endure this month of "painful measures", there is no guarantee of whether the restrictions will be lifted on schedule, or to what extent they may be relaxed.

However, DPM Heng has repeated his reassurance that the Solidarity Budget will not be the final support package should circumstances render further support necessary. Nor does the government stand alone in providing relief for businesses during these unprecedented times, with institutions such as ABS and FHAS publicly committing to rendering support. Some banks have already gone above and beyond the measures announced by MAS – for instance, DBS established a collateral-free digital business loan for SMEs with an expedited approval process on 26 February 2020, and as of 8 April 2020 has raised the loan quantum to S\$200,000 and waived all processing fees.

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Despite the looming recession, businesses can take comfort in knowing that the government, banks, insurers, and other institutions are taking a multi-pronged approach towards helping businesses ride out the storm. The past few months have seen a torrent of measures from Budget announcements (see our past Client Updates on the [Unity Budget](#) and the [Resilience Budget](#)) to the new COVID-19 (Temporary Measures) Act which includes anticipated mandatory rent relief and temporary relief from contractual obligations (covered in our Client Updates [here](#) and [here](#) respectively).

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

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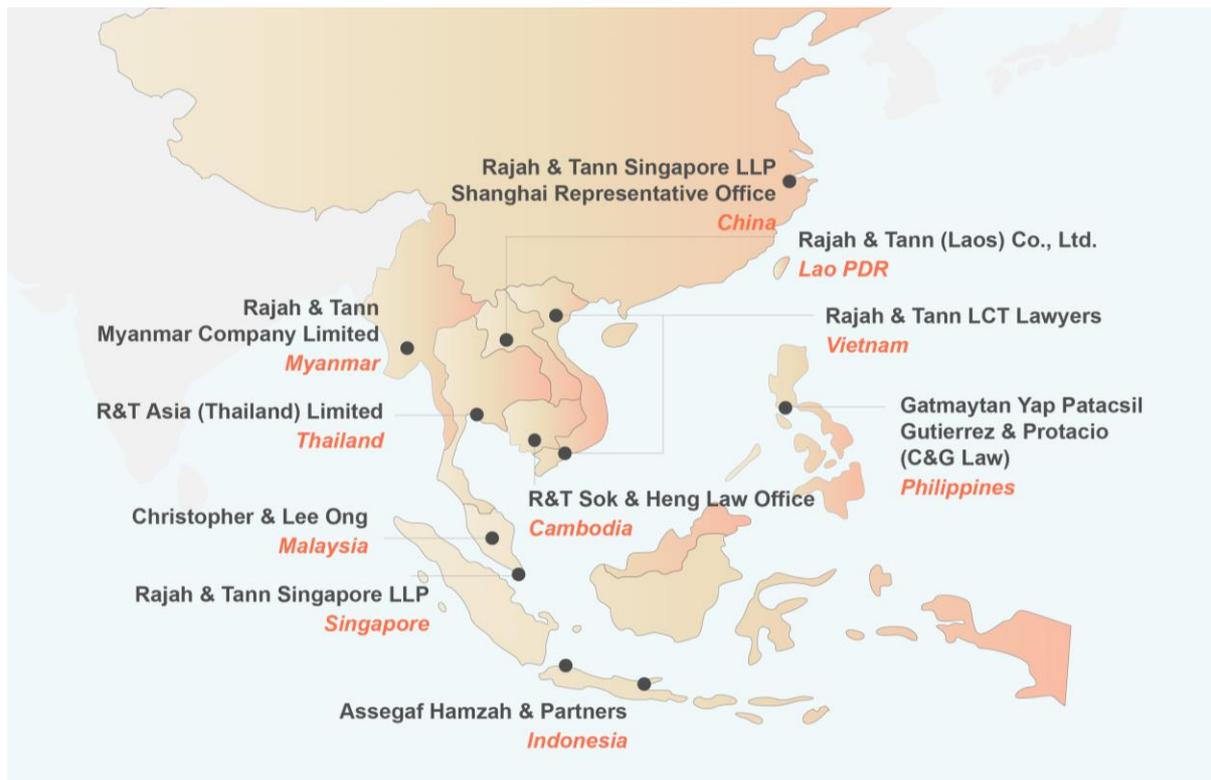
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