Tax, Employment & Benefits

COVID-19 Resilience Budget and MOM Relief Measures: Additional Support for Businesses

Introduction

Since the announcement of Budget 2020 (also known as the Unity Budget) a bare five weeks ago, the Deputy Prime Minister and Minister of Finance, Mr Heng Swee Keat, has unveiled the S$48 billion Resilience Budget on 26 March 2020 to help Singapore weather the "mighty storm" of COVID-19. In a mark of the extraordinary times, this is only the second time that Singapore's reserves have been drawn on in her history.

Apart from the relief measures that directly assist households, the Resilience Budget sets aside funds to implement new schemes and enhance existing ones to support businesses in these crippling times. Key measures are elaborated on below, together with a consolidation of recent non-Budget measures implemented by the Ministry of Manpower ("**MOM**") to provide relief to employers to cope with manpower issues.

Budget Support for Businesses

The Minister announced a raft of measures, which can be grouped into four categories: (a) tax rebates and deferments, (b) credit financing for cash flow problems, (c) grants to support businesses' growth and transformation and (d) support for employers to retain their workers.

Tax Rebates and Deferments

Under the enhanced Property Tax Rebate for 2020, qualifying commercial properties (including hotels, serviced apartments, tourist attractions, shops, and restaurants) will receive a 100% rebate. Integrated Resorts will receive a 60% rebate, while other non-residential properties such as offices will receive a 30% rebate. The Minister again strongly urged landlords to pass this relief on to their tenants, and confirmed that the government will be taking the lead by enhancing the waiver for its tenants.

All income tax payments due in April to June 2020 will be deferred for three months, and all government fees and charges will be frozen from 1 April 2020 to 31 March 2021.

Credit Financing

Three schemes have been enhanced: (a) the Enterprise Financing Scheme – Trade Loan and its Small Medium Enterprise ("**SME**") counterpart, the Enterprise Financing Scheme – SME Working Capital Loan; (b) the Loan Insurance Scheme; and (c) the Temporary Bridging Loan Programme.

Enterprise Financing Schemes

The Enterprise Financing Scheme – Trade Loan ("**EFS-TL**") supports trade financing needs such as the financing of short-term import, export, and guarantee needs. The maximum loan quantum has now been doubled in the Resilience Budget to $10 million per borrower group, with the government's risk-share increased to 80% from the previous 70%.

Along similar lines, the Enterprise Financing Scheme – SME Working Capital Loan ("**EFS-WCL**") assists SMEs in accessing financing for their operational cash flow needs. Per the Unity Budget, the EFS-WCL was enhanced for one year beginning 2 March 2020 by increasing the maximum loan quantum from $300,000 to $600,000. The maximum loan quantum has now been nearly doubled to $1 million per borrower, with a new option to request for a deferment of principal repayment for one year, subject to assessment by participating financial institutions ("**PFIs**").

Loan Insurance Scheme ("LIS")

As further assistance to SMEs, the LIS helps SMEs secure short-term trade loans by enabling PFIs to co-share the risk of loan default with commercial insurers. The government will now increase its support of the insurance premiums paid by SMEs from 50% to 80% for one year commencing 1 April 2020.

Temporary Bridging Loan Programme ("TBLP")

Originally, the TBLP was launched in March 2020 for one year to provide additional cash flow support for the tourism sector alone, with a maximum loan quantum of $1 million. It has now been expanded to all sectors from 1 April 2020 and increased to a maximum of $5 million. Similar to the EFS-WCL, enterprises may request for a one year deferment of principal repayment, subject to assessment by PFIs.

Further details are available at Annex B-7 of the Resilience Budget.

Grants to Support Businesses' Growth and Transformation

A number of schemes have been set up to support businesses in their growth and transformation and in building resilience have been implemented and/or enhanced, including the Enterprise Development Grant, Productivity Solutions Grant, and the SMEs Go Digital Programme.

Enterprise Development Grant ("EDG")

Introduced in 2018 and lasting until 31 March 2023, the EDG supports eligible enterprises in undertaking projects in three areas: (a) core capabilities, (b) innovation and productivity and (c) market access. From 1 April 2020 to 31 December 2020, the support level will be raised from the usual 70% to a maximum of 80% in general. However, two categories of enterprises may qualify for an additional 10% support to a maximum of 90%: (a) enterprises that are most severely impacted by COVID-19 on a case-by-case basis, or (b) unionised enterprises and Employment and Employability Institute ("**e2i**") partners if they receive endorsement from e2i under the National Trades Union Congress ("**NTUC**").

The 90% cap excludes any additional out-of-pocket support from the SkillsFuture Enterprise Credit.

Productivity Solutions Grant ("PSG")

The PSG focuses on the adoption of off-the-shelf productivity solutions and equipment that have been pre-approved by the government, and was introduced in 2018. Its maximum support level will be raised from 70% to 80% from 1 April 2020 to 31 December 2020.

SMEs Go Digital

Under SMEs Go Digital, SMEs receive funding support for the adoption of pre-approved digital solutions. From 1 April 2020 to 31 December 2020, the scope of these pre-approved digital solutions will be expanded to assist SMEs in implementing safe distancing and business continuity measures.

Separately, advanced digital solutions will also receive up to 80% funding support from 1 May 2020 to 31 December 2020. Examples of such solutions include advanced security and facilities management systems for buildings, such as digital concierges, smart toilet systems, and mobile robots for security and/or cleaning. Other examples include those facilitating Business-to-Business transactions, such as transiting to electronic transactions, e-invoicing, and e-payments.

Further details on these schemes are available at Annex B-9 of the Resilience Budget.

Support for Employers

Employers will be able to access support in two forms: wage support and training support.

Wage support – 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 has been greatly enhanced, with greater assistance for specific sectors as set out in Annex B-1 of the Resilience Budget.

	Unity Budget	Resilience Budget
Quantum	8% cash grant	**25%** cash grant for all employees excluding food services, aviation, and tourism **50%** for food services, including food shops, food stalls, and hawker stalls **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 $3,600 of each local employee's monthly wages	First $4,600 of each local employee's monthly wages
Length of support	Three months	Nine months

The Wage Credit Scheme remains unchanged from the Unity Budget, under which the government will co-fund 20% of wage increases up to the wage ceiling of $5,000. However, the pay-out will be brought forward to end June 2020 instead of September 2020.

Training support

To encourage digitalisation, restructuring, and transformation in this downtime, the Unity Budget's enhanced training support provided a 90% absentee payroll and course fee subsidies for the aviation, tourism, food services, and retail trade sectors. From 1 April 2020, the Resilience Budget now extends training support to the land transport and the arts and culture sectors, and will cover all eligible courses starting before 1 January 2021.

The 90% absentee payroll rates will also be extended to all employers who send their employees for training from 1 May 2020 onwards, with the cap increased to $10 per hour instead of $7.50 per hour.

MOM Relief Measures

Apart from the Budget measures, the government is also providing assistance to employers through MOM, as announced on 24 March 2020.

COVID-19 has led to manpower shortages for some employers, with their foreign workers prevented from entering Singapore, while decreased demand has led to excess manpower for other employers. To relieve the situation, assistance in matching of workers with prospective employers can be obtained via the Singapore Business Federation (for the manufacturing and services sector) and the Foreign Construction Worker Directory System (for the construction sector).

MOM has also introduced three relief measures in relation to the construction sector, as well as for employers of foreign workers, and the construction sector.

Three-month extension of foreign worker levy payment timeline for SMEs

Under the usual rules, a first failure to make full payment on time will result in a rejection of pending WP applications, while two consecutive failures will result in a revocation of all existing work passes.

These revocation actions will not apply to levies incurred in the year 2020, although the late payment penalty of 2% per month will still be enforced.

Employers who take advantage of the extension are encouraged to retain existing workers without employing new foreign workers. MOM will therefore allow only renewals of work pass ("**WP**") applications, and reject new WP applications from such employers.

Levy waiver for up to 90 days for foreign workers on overseas leave

Currently, MOM allows a levy waiver for up to 60 days for foreign workers who go on overseas home leave for at least seven consecutive days.

MOM will now extend the levy waiver period to up to 90 days with immediate effect for foreign workers who are currently on overseas leave. This also applies to employers who send their foreign workers home from 24 March 2020 till end 2020.

Man-Year Entitlement ("MYE") Refund for Construction Firms

The MYE is a pre-condition for WP applications for construction workers from non-traditional source countries and China, and is allocated to construction firms based on projects. In the event of project delays, any unused MYE will be forfeited, resulting in higher cost to contractors who have to hire foreign workers on higher levy rates.

In view of the delays caused by the disruption to workforce and supplies, MOM has established a temporary scheme to refund unutilised MYE due to work disruptions from COVID-19. The unutilised MYE must be used within one year.

The refund scheme will be available for six months commencing 1 April 2020.

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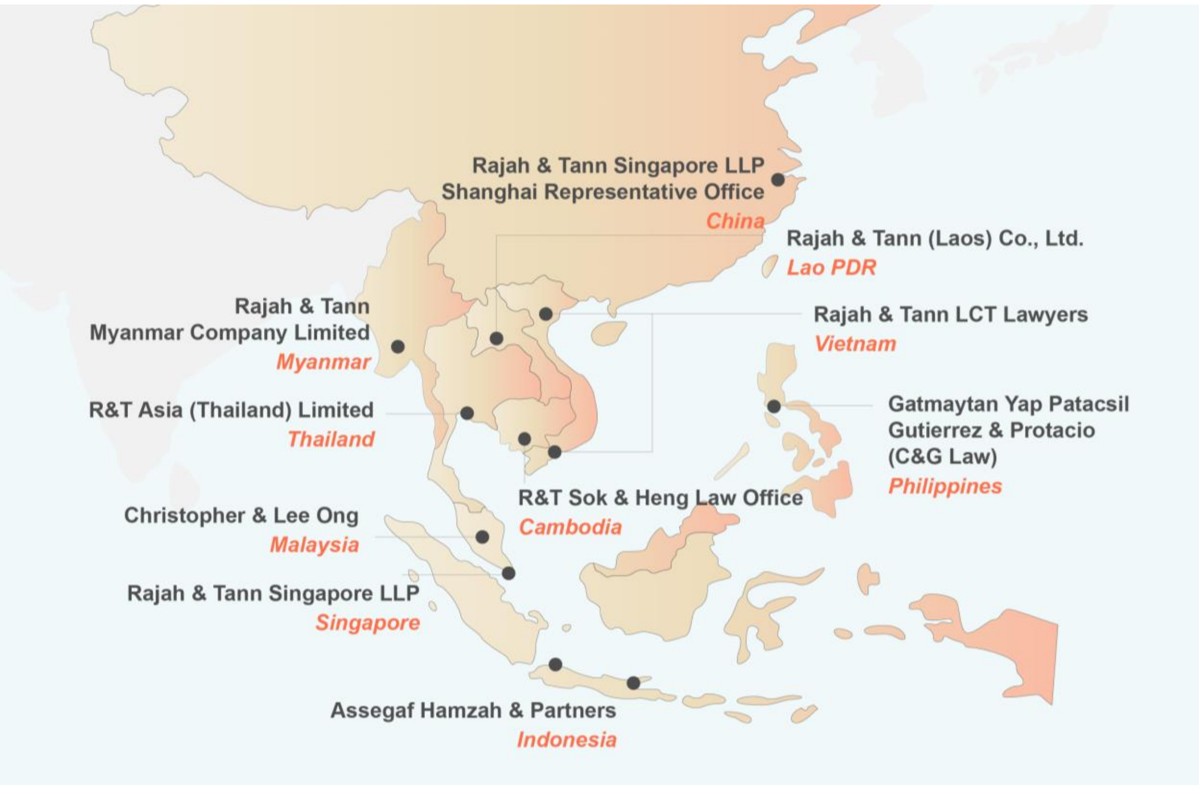

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