

Tax

Going Forth: Singapore's Fortitude Budget for Employers, Tenants, and Businesses

Introduction

With the end of the circuit breaker period on 1 June 2020, the Singapore government has laid out a three-phase approach towards the resumption of normality. Phase One commenced on 2 June 2020 and is expected to last for at least four weeks, although this will be reassessed in mid-June 2020 with a view to shortening it. It is marked by a restart of some economic activities that do not pose a high risk of transmission, such as manufacturing and office work. Telecommuting must still be adopted to the maximum extent. Some major sectors, such as retail and dining-in, will not be permitted to reopen until Phase Two.

As progression to the next phase depends on the COVID-19 situation rather than a fixed timeframe, many businesses remain uncertain as to when they can reopen. On 26 May 2020, the Minister of Finance Mr Heng Swee Keat ("**DPM Heng**") announced the fourth Budget, christened the Fortitude Budget, to provide further relief in these times of economic uncertainty.

In this Update, we cover key aspects of the Fortitude Budget that relate to employers, tenants, and businesses.

For Employers

Employers will receive additional support in four ways:

1. A third round of enhancements to the Jobs Support Scheme ("**JSS**") for local employees;
2. A further extension of the foreign worker levy ("**FWL**") waiver and rebate;
3. Wage support for eligible new hires; and
4. A deferment of the 2021 increase in Central Provident Fund ("**CPF**") contribution rates for senior workers.

Wage support under the JSS

Consisting of a cash grant for a portion of the monthly wages of each local employee, the JSS was established in the first Budget ("**Unity Budget**") and has been enhanced by each subsequent Budget, particularly the second Budget ("**Resilience Budget**"). Likewise, the Fortitude Budget provides two changes to the JSS by extending its length and shifting some sectors to a higher tier of support, particularly for businesses that are unable to reopen on 2 June 2020.



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It should be noted that all revisions to tiers have *retrospective* effect, meaning that the relevant employers will receive back-payments for the higher tier of wages for the entire length of the JSS. The only exception is for the built environment sector, where the higher tier will only apply to wages paid for June to August 2020. Full details of the eligibility criteria for each category is listed in [Annex B1 of the Fortitude Budget](#).

There is no change to the timing of upcoming payouts, which will be made in May, July, and October 2020.

	Resilience Budget	Fortitude Budget
Quantum	Tier 1: 75% for aviation and tourism (including hotels, travel agents, tourist attractions), and Purpose-built Meetings, Incentives, Conferences and Exhibitions (" MICE ") venue operators	Additions to Tier 1 <ul style="list-style-type: none"> All businesses that are unable to reopen, lasting until August 2020 or the date they can reopen, whichever is earlier. Upon operations being resumed, JSS payouts will revert to the base tier on a pro-rata basis; Aerospace, airline fleet management services, and operators providing pilot and crew training; MICE and tourism event organisers; Money changers; Regional ferry operators; Central refund agencies; and Built environment contractors and consultants (for June to August 2020 wages only).
	Tier 2: 50% for food services, including food shops, food stalls, and hawker stalls	Additions to Tier 2 <ul style="list-style-type: none"> Retail; Arts and entertainment; Land transport; and Marine and offshore.
	Tier 3: 25% for all sectors excluding food services, aviation, and tourism	All remaining businesses
Wage cap	First \$4,600 of each local employee's monthly wages	First \$4,600 of each local employee's monthly wages

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	Resilience Budget	Fortitude Budget
Length of support	Nine months (ending July 2020)	Ten months (ending August 2020)

FWL waiver and rebate

Businesses that cannot immediately reopen on 2 June 2020 will receive up to two months' additional FWL waiver and rebate. For June 2020, this will be a 100% waiver and a \$750 rebate – this will be halved in July 2020.

Wage support for eligible new hires

As part of the SGUnited Jobs and Skills Package, the SkillsFuture Mid-Career Support Package initiated under the Unity Budget has been enhanced in scope and quantum. Originally, the government provided a hiring incentive by covering 20% of the salary of newly hired workers aged 40 and above who have completed eligible traineeship and training schemes. This would last for six months and be capped at \$6,000 in total.

This has now been extended to cover eligible new hires of all ages. For the original target group of workers aged 40 and above, the incentive has been doubled to 40% of their salary, covered for six months and capped at \$12,000 in total.

Deferment of increase in CPF contribution rates for senior workers

Previously, the government had announced that CPF contribution rates for workers aged above 50 to 70 years of age would be increased by 0.5% or 1% annually, depending on the workers' age. This was originally slated to commence in 1 January 2021, but has now been deferred by one year to assist older workers in retaining their jobs.

For Tenants – Rent Relief

New cash grant

Through a combination of previous Budgets and new legislation, the government has (a) provided property tax rebates to landlords, and (b) required landlords to pass on the rebates to their tenants (for further details, please see our earlier Update titled "[Regulations for Property Owners on Passing on Tax Rebates to Tenants](#)"). In general, this would amount to over one month's rent.

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1. Eligibility

- a. The Fortitude Budget provides additional support in this area to qualifying small-medium enterprises ("**SMEs**") – businesses with not more than \$100 million in annual turnover – that are tenants in private non-residential properties, with qualifying leases or licences commencing before 25 March 2020.

2. Quantum

- a. Qualifying SME tenants of qualifying commercial properties (such as shops) will receive a cash grant of about 0.8 month's rent.
- b. For non-residential properties (such as industrial and office properties), qualifying tenants will receive about 0.64 month's rent.
- c. SMEs that run a trade or business on their own property will also be eligible for this cash grant, although no grants will be given for vacant property and land under development.

3. Implementation

- a. The grant will be disbursed automatically by the Inland Revenue Authority of Singapore ("**IRAS**") to most qualifying property owners.
- b. Where properties are not fully leased by SME tenants, property owners will need to submit an application to IRAS, which will pro-rate the cash grant accordingly.

Further details will be announced by IRAS by end-June 2020.

Legislative relief

While unveiling the Fortitude Budget, DPM Heng also announced that the Ministry of Law will be introducing a new Bill requiring landlords to grant rental waivers to qualifying SME tenants who have suffered a significant revenue drop.

If the Bill is passed, SME commercial tenants will receive a total of four months' relief provided equally by the government and their landlords. SME industrial and office tenants will also receive some additional relief, although further details (including quantum) will be announced later this month.

The Bill will also provide temporary relief from onerous contractual terms, such as excessive interest or charges on late payments, and permit arrears to be repaid through instalments.

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Rent relief for tenants in government-owned properties

The government will provide additional relief for its tenants as follows:

1. Commercial tenants and stallholders in markets and hawker centres that qualified for the earlier relief will receive an additional two months' rent waiver. This amounts to a total of four and five months' relief respectively.
2. Other non-residential tenants that qualified for earlier relief will receive one additional month of rent waiver, amounting to two months' relief in total.

However, government tenants which pay property tax will receive the cash grant *instead* of the above additional relief.

For Businesses – Financing and Digital Transformation

Financing

Sector-specific support will be introduced for the built environment sector by way of a co-sharing of additional costs that they will have to incur in order to resume their existing projects safely, with further details to be announced. Support may be also forthcoming for certain other sectors that will face long-term challenges, such as aviation and tourism.

For promising start-ups, the government has set aside \$285 million to match private investments, to sustain their innovation and entrepreneurship journey.

Digital transformation

Businesses in the food services and retail sectors may be eligible for the Digital Resilience Bonus payouts of up to \$10,000 to offset the cost of adopting specified digital solutions above and beyond the baseline solutions of PayNow Corporate and e-invoicing. These solutions are broken into three different categories: business process solutions (payouts of \$2,500), digital presence (\$2,500), and data-driven operations (\$5,000).

The categories are defined in [Annex B-3](#) of the Fortitude Budget, and more details will be forthcoming.

To encourage the adoption of e-payment solutions by stallholders in hawker centres, a total bonus of up to \$1,500, distributed over five months, will be given to stallholders who do so, contingent upon a minimum number of e-payment transactions per month. Transaction fees will be borne by the government until 31 December 2023.

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Concluding Remarks

As we proceed through Phase One and beyond, there have been some encouraging signs of improvement. Community transmission rates have remained low for a while now, and the number of active cases have been trending downwards since mid-May. 75% of the workforce are now able to perform their duties, and DPM Heng noted that most businesses are expected to reopen by July 2020. \$13 billion – significantly higher than the usual reserve of \$3 billion – has also been set aside in the Contingencies Fund and Development Contingencies Fund, to maintain flexibility and the capacity for swift response to unexpected and urgent expenditure.

On the international front, "green-lane" international travel is being developed with the goal of permitting travellers to avoid a 14-day quarantine imposed on arrival or return (although this is currently limited to necessary business travel and does not signal a restart of tourism). Altogether there is a clear trend towards the resumption of a new normal, and businesses can begin to look to the future.

The COVID-19 situation continues to change and develop on a daily basis, and Rajah & Tann Asia seeks to keep our clients informed on the latest updates. Visit our [COVID-19 Resource Centre](#) for the latest publications from our lawyers across the region on common issues and legal implications brought about by COVID-19. For specific inquiries, please reach out to your relationship partner or send an email to our [COVID-19 Legal Team](#).

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