

Restructuring & Insolvency

## Simplified Insolvency Programme in Effect from 29 January 2021

### Introduction

In the midst of the COVID-19 pandemic, many businesses have been severely impacted. The Singapore government thus introduced the Simplified Insolvency Programme ("**SIP**"), which seeks to support micro and small companies ("**MSCs**") to restructure their debts or to wind up. The SIP has come into effect on **29 January 2021**.

The SIP comprises two separate programmes which eligible MSCs may apply for:

- (a) Simplified Debt Restructuring Programme ("**SDRP**") – for the restructuring of debts and potential rehabilitation of viable businesses; and
- (b) Simplified Winding Up Programme ("**SWUP**") – for the orderly winding up of non-viable businesses.

The SIP provides simpler, faster, and lower-cost restructuring and insolvency proceedings for eligible MSCs and complements existing insolvency processes in the Insolvency, Restructuring and Dissolution Act ("**IRDA**"). The SIP will be available for application for a period of six months from **29 January 2021 to 28 July 2021**. The Ministry of Law has stated in a [press release](#) ("Financially Distressed Micro and Small Companies May Apply for Simplified Insolvency Programme from 29 January 2021") that this period may be further extended should the need arise.

In this Update, we highlight some of the key features of the SIP – in particular, we look at the eligibility criteria for the SIP as well as the application process.

For more information on the simplified debt restructuring and winding-up procedures introduced under the SIP, please see Rajah & Tann's earlier Legal Update on "[Simplified Insolvency Programme Tabled in Parliament to Assist Micro and Small Businesses](#)".

### Eligibility

The SIP is only available to MSCs, which are micro companies (with an annual revenue of less than S\$1 million) and small companies (with an annual revenue of less than S\$10 million).

To be eligible for the SIP, MSCs must meet the following criteria:

- (a) Annual sales turnover not exceeding \$10 million;



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- (b) Number of creditors not exceeding 50;
- (c) Number of employees not exceeding 30;
- (d) Company liabilities (including contingent and prospective liabilities) not exceeding S\$2 million;
- (e) Realisable unencumbered assets not exceeding S\$50,000 (for SWUP only); and
- (f) The MSC is not a foreign company; and
- (g) There are no circumstances as prescribed under the IRDA that make the applicant company unsuitable for the SIP.

## Application Process

### Simplified Debt Restructuring Programme

The SDRP application process may be summarised as follows:

#### (a) Application

- i. The Applicant Company ("**AC**") submits an online application form to the Official Receiver ("**OR**").
- ii. The OR reviews the application.
- iii. If the AC meets the eligibility criteria, a Notice of Application is sent to the AC and its creditors, and is published on the MinLaw website.

#### (b) Assessment

- i. If there are no objections filed within 21 days from the Notice of Application, a Restructuring Advisor ("**RA**") will assess whether the AC's debts have a reasonable prospect of being successfully restructured.

#### (c) Acceptance

- i. If the AC is assessed to be suitable for the SDRP, it will be required to pay a deposit of \$18,750 to the OR.
- ii. The AC's creditors are notified of the AC's acceptance into the SDRP, and a Notice of Acceptance is published on the MinLaw website.

#### (d) Debt Restructuring Plan

- i. The RA will assist the AC to formulate a proposed arrangement between the AC and its creditors.
- ii. If the RA is of the view that the plan is feasible and merits consideration by the creditors, the RA will assist the AC to obtain the agreement of a majority of at least two-thirds in value of the creditors and in making an application to the Court for the approval of the proposed arrangement.

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### **(e) Discharge**

- i. The AC will be discharged from the SDRP:
  - After 90 days from the published date of the Notice of Acceptance or as extended by the OR; or
  - When the company's application on the proposed arrangement is granted or dismissed by the Court.

### **Simplified Winding Up Programme**

The SWUP application process may be summarised as follows:

#### **(a) Application**

- i. The AC submits an application to the OR.
- ii. The OR reviews the application.
- iii. If the AC meets the eligibility criteria, a Notice of Application is sent to the AC and its creditors, and is published on the MinLaw website.

#### **(b) Acceptance**

- i. If there are no objections filed against the company's application within 21 days from the Notice of Application, the AC is deemed to be suitable for the SWUP and will be required to pay a deposit of S\$2,700 to the OR.
- ii. The Notice of Acceptance is published on the MinLaw website and, within 10 days, Gazetted and advertised in at least one English local newspaper.
- iii. The company is wound up upon the publication of the Notice of Acceptance in the Gazette.

#### **(c) Winding Up**

- i. If the AC has insufficient realisable assets to cover the expenses of winding up:
  - A notice is published on the MinLaw website that the AC will be struck off and dissolved.
  - The AC is dissolved if there are no objections filed within 30 days of the notice.
- ii. If the AC has sufficient realisable assets to cover the expenses of winding up:
  - Winding up of the company commences.
  - A notice of the making up of an account showing how the winding up has been conducted and how the property of the AC has been disposed of is published on the MinLaw website.
  - The AC is dissolved within 30 days from the above notice.

#### **(d) Discharge**

- i. The AC is discharged from the SWUP upon its dissolution.

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- ii. The AC is discharged from the SWUP if it is put into a Court-ordered winding up, or if the winding up is stayed or terminated by the Court.

## Concluding Words

The SIP provides an abridged route for eligible companies seeking to restructure their debts or to wind up during this period. Businesses seeking to utilise the simplified procedures should assess whether they are eligible under the criteria of the SIP.

Businesses should also take note of the timelines and procedures set out in the SIP. This is to ensure that all necessary applications are made before the close of the SIP, and that the timelines are strictly observed.

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

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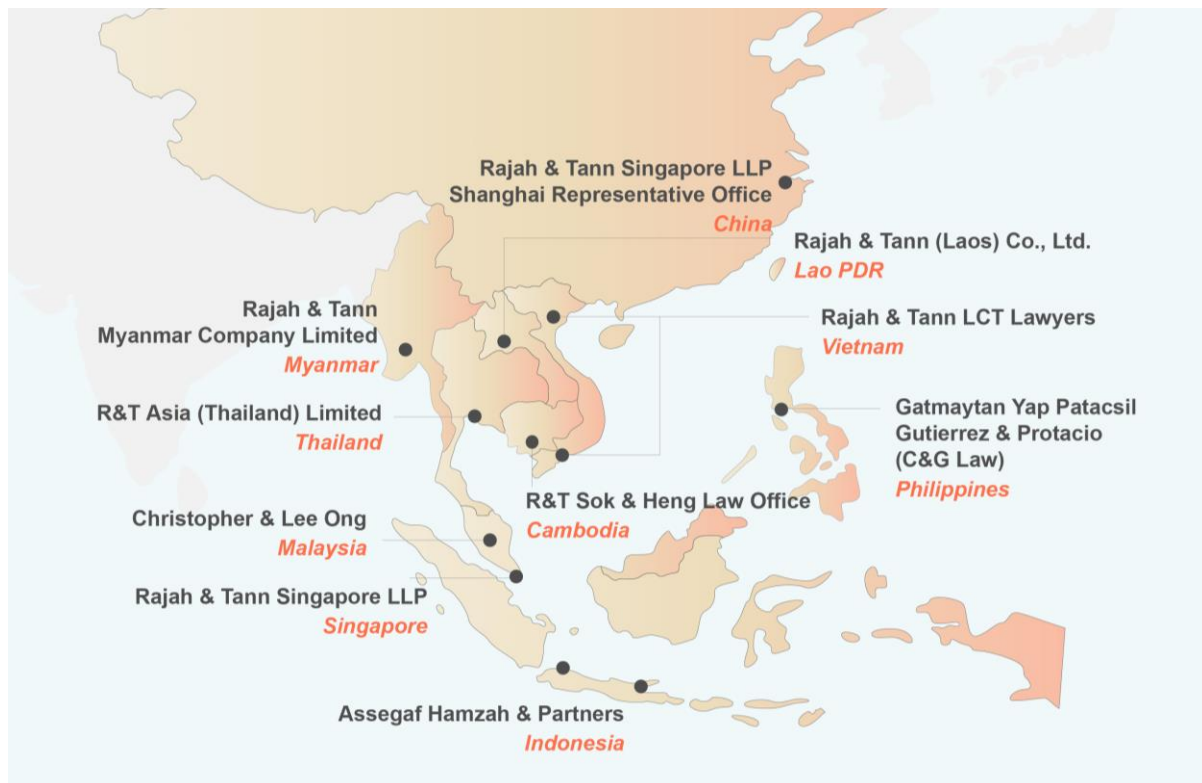
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