

COVID-19 (Temporary Measures) Bill

COVID-19 has had unforeseen economic impact. With supply chain disruptions and manpower shortages, it is harder for individuals and businesses to fulfil contractual obligations.

How am I protected?

The Bill offers temporary relief from legal action, on a just and equitable basis, for **up to 6 months** after the Bill commences.

It will cover obligations to be performed on or after **1 February 2020** which are affected by reason of COVID-19, for contracts entered into before 25 March 2020.

What contracts are covered and how?

COMMERCIAL & INDUSTRIAL PROPERTY LEASES



Tenant
unable to pay rental

- Landlord cannot terminate your lease or evict you
- Suspension of rental payment for up to 6 months

CONSTRUCTION & SUPPLY CONTRACTS



Contractor
unable to meet deadline

- Deferral of contractual obligations
- No liability for non-performance of contract due to COVID-19

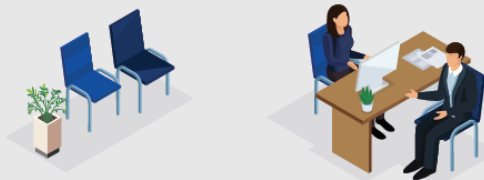
EVENT- & TOURISM- RELATED CONTRACTS



Event Contract
(e.g. conference, wedding, tour)
unable to proceed

- Deposit cannot be automatically forfeited
- Fair treatment of deposit, taking into account any expenses incurred by service provider

CERTAIN SECURED LOAN FACILITIES



Small & Medium Enterprise
unable to repay secured loan

- No enforcement of security (i.e. over commercial or industrial property, plant or machinery used for business) located in Singapore
- Court and insolvency proceedings disallowed

Bankruptcy & Insolvency

The Bill also increases the monetary thresholds and time limits for bankruptcy and insolvency. This will help individuals and businesses in a very difficult environment.

What do I have to do?

A notification for relief is required. Details on the process to get relief and resolve disputes will be announced in April 2020.

COVID-19 (Temporary Measures) Bill FAQs

1. What does the Bill seek to do? Who benefits?

The Bill aims to provide temporary cash-flow relief to businesses and individuals in specific types of contracts who are unable to fulfil their contractual obligations because of COVID-19, by suspending certain actions to enforce those obligations for six months.

This gives these businesses and individuals time to work out a solution with the other party without the threat or uncertainty of litigation or legal proceedings.

It does not mean that obligations are postponed or are absolved. Parties may still be charged interest or penalties if they delay in performance or fail to perform.

2. What types of contracts are covered?

The Bill covers the following contracts, as long as they were entered into before 25 March 2020.

- Leases or licences for commercial and industrial property (e.g. lease for factory premises)
- Construction contracts or supply contracts (e.g. contract for supply of materials)
- Event contracts: Provision of goods and services for events (e.g. venue or catering for weddings, business meetings)
- Tourism-related contracts: Provision of goods and services relating to tourism (e.g. cruises, hotel accommodation bookings)
- Certain secured loan facilities granted by a bank or a finance company to Small & Medium Enterprises (SMEs)
- Certain hire-purchase agreements (e.g. where the good hired is a commercial vehicle)

3. What about other types of contracts? Can they be covered by the Bill?

The Bill aims to provide temporary cash-flow relief to businesses and individuals in specific types of contracts. These are contracts where fulfilment of contractual obligations has been significantly impacted by COVID-19.

The list of contracts can be amended by the Minister for Law after the Bill is passed. The Government will continue to monitor the situation, take in feedback and adjust the list where necessary.

4. What relief does the Bill provide?

The Bill aims to provide temporary relief from legal action for up to six months after the Bill commences for those contracts affected by COVID-19. The Bill applies only to those contractual obligations to be performed on or after 1 February 2020 that cannot be fulfilled because of COVID-19.

When a party to a contract serves a notification for relief on the other party, the following actions will be prohibited:

- Starting or continuing court proceedings or insolvency proceedings
- Enforcing collateral over commercial or industrial property (e.g. commercial premises)
- Enforcing collateral over plant or machinery that is used for business (e.g. delivery vehicle)
- Terminating leases for commercial or industrial property, on the basis of non-payment of rent

If any court proceedings have already started, they will be stayed or suspended.

Additional relief applies for the following contracts:

- Event- and tourism-related contracts:
 - Deposits cannot be automatically forfeited. Instead, an Assessor will determine whether it is just and equitable in the circumstances of the case for the deposit or any part of the deposit to be forfeited.
 - Where applicable, deposits that have already been forfeited will be restored.
 - This does not mean deposits are automatically refunded to the consumer.
- Construction and supply contracts:
 - Contractors will not be liable for breach of contract or liquidated damages
 - Calling on a performance bond will not be allowed

5. How long will the relief last for?

By default, the relief will last for six months after the Bill commences. The Government will continue to monitor the situation, and may adjust this period later on.

6. What do I have to do to get relief?

More details will be announced in mid-April 2020.

In summary:

If you are in a contract covered by the Bill, and are unable to fulfil your contractual obligations because of COVID-19, you can issue a notification for relief to the other party to the contract. More details on the form the notification should take will be announced later.

Upon notification, the relief provided by the Bill will apply. The other party will not be able to take action against you. Any proceedings that have already started must be stayed or suspended.

If the other party disagrees that your non-performance is because of COVID-19, the dispute will be determined by an Assessor.

7. When will the law come into effect?

It is expected to come into effect around the middle of April. An announcement will be made in due course.

8. Does the relief apply retroactively?

Yes. The relief applies to contractual obligations to be performed on or after 1 February 2020 affected by COVID-19. The contract must also have been entered into before 25 March 2020.

9. Why aren't contracts entered into after 25 March 2020 covered?

24 March 2020 was when stricter measures to minimise further spread of COVID-19 were introduced by the Multi-Ministry Taskforce. These included limiting size of gatherings and closure of entertainment establishments.

As such, individuals and businesses who enter into contracts after these measures were announced ought to have been aware of the risks and potential impact of COVID-19 and organised their affairs accordingly.

10. Why aren't contractual obligations arising before 1 February 2020 covered?

1 February 2020 was the approximate date when the impact of COVID-19 started to be significantly felt in Singapore's economy.

11. Does the Bill cover contracts with foreign companies or entities?

Relief under the Bill will only apply to contracts that have been made under Singapore law. These could include contracts with foreign companies or entities.

12. Will the relief period be extended beyond six months if the situation remains the same or gets worse?

The Government will monitor the situation and its impact on businesses and individuals, and make a decision later on.

13. What happens after the six-month period? For example, if I don't pay rent for six months, do I pay up at the end of it?

The measures do not absolve or remove contractual obligations. The Bill provides temporary relief by suspending enforcement against those obligations for six months. In this example, rent will continue to accrue for the six months and remain payable after the six-month period is over. However, this means that the tenant does not need to worry about paying rent in the meantime, and can focus on organising his business to tackle the effects of COVID-19.

14. What if the other party doesn't agree to my notification for relief? How will disputes be resolved?

A panel of Assessors will be appointed to resolve disputes arising from the application of the law. The process will be fast, simple and affordable. More details will be announced in due course.

15. What will the Assessors do?

Assessors will determine whether the claim for relief from non-performance of contractual obligations under the COVID-19 (Temporary Measures) Act is valid.

These Assessors will determine whether a party's failure to perform is to a material extent caused by COVID-19, and may decide on an outcome that is just and equitable in the circumstances.

16. Who are the Assessors?

The Assessors are intended to be professionals from the legal, accountancy, financial and other industry sectors.

17. What is the fee for making an application for determination?

The intent is for the application to the panel of Assessors to be free of charge.

18. Can I be represented by a lawyer?

No. Parties will not be allowed to be represented by lawyers.

19. Will there be an appeal process after disputes?

No. Assessors' decisions will be final and not appealable.

20. Will there be a penalty for non-compliance?

It will be an offence to take any prohibited action against a contract party that has issued a notification of relief. More details on the penalties will be announced in due course.

21. What are the measures relating to bankruptcy and insolvency?

The Bill will introduce temporary relief for individuals and businesses in financial distress by temporarily:

- For individuals: Increasing the monetary threshold for bankruptcy from \$15,000 to \$60,000
- For businesses: Increasing the monetary threshold for insolvency from \$10,000 to \$100,000
- Lengthening the statutory period to respond to demands from creditors

#####