

COVID-19 (Temporary Measures) Bill

– A Multi-Pronged Legislative Response

The Ministry of Law has just released a draft of the **COVID-19 (Temporary Measures) Bill** (“Bill”) which will address various matters arising on account of the COVID-19 situation.

These include temporary reliefs/measures relating to:

- inability to perform certain contracts;
- financially distressed individuals, firms and businesses;
- conduct of meetings;
- certain court proceedings; and
- remission of property tax.

It is expected that the reading of the Bill will be expedited in one Parliament sitting, so it is likely that the Bill will be enacted into law very soon.

Temporary relief for inability to perform contracts

Temporary relief will be offered to businesses and individuals who are unable to fulfil their contractual obligations because of COVID-19 for a period of six months from the commencement of the Act (which may be subsequently extended for up to a year from such commencement).

Scheduled Contracts

Relief measures will be available in respect of certain “scheduled contracts” entered into or renewed before 25 March 2020 (or renewed automatically on or after 25 March 2020), including:

- Leases or licences for non-residential immovable property (e.g., lease for factory premises, office or retail spaces and convention centres);
- Construction contract or supply contract (e.g., contract for the supply of materials);
- Contracts for the provision of goods and services (e.g., venue, catering) for events (e.g., weddings, business meetings);
- Certain contracts for goods or services for visitors to Singapore, domestic tourists or outbound tourists, or promotion of tourism (e.g., cruises, hotel accommodation bookings);
- Contracts for the grant of loan facilities by a bank or a finance company to an enterprise with at least 30% local shareholding and belonging to a group whose turnover does not exceed \$100 million in the latest financial year, where such loan facilities are secured against (i) any commercial or industrial immovable property located in Singapore; or (ii) any plant, machinery or fixed asset located in Singapore, where such plant, machinery or fixed asset is used for manufacturing, production or other business purposes;
- Performance bonds or equivalent granted pursuant to a construction or supply contract; and
- Hire-purchase or conditional sale agreements in respect of any commercial vehicle or any plant, machinery or fixed asset in Singapore, where such plant, machinery or fixed asset is used for manufacturing, production or other business purposes.

Mechanics

A party X wishing to claim relief under the Bill must satisfy the following:

- (i) the obligation is in relation to a scheduled contract and is to be performed on or after 1 February 2020;
- (ii) the inability to perform is to a material extent caused by a COVID-19 event; and
- (iii) X has served a prescribed notification for relief ("**Relief Notification**") on the other parties to the contract, any guarantors or surety for X's obligation in the contract and such other person as may be prescribed.

X will then be entitled to certain temporary reliefs until the earliest of:

- (i) the expiry of a prescribed period ordered by the Minister (which is not to exceed six months, unless extended or shortened by the Minister);
- (ii) the withdrawal by X of its Relief Notification; or
- (iii) the determination by an assessor, upon application by any party to the contract, that the conditions above not apply.

The assessors will be empowered to decide if the inability to perform contractual obligations was due to COVID-19, and will have the powers to grant relief that is just and equitable in the circumstances. Parties will not be allowed to be represented by lawyers, and there will be no costs orders. Assessors' decisions will be final and not appealable.

Effects

In broad terms, some of the reliefs the Bill will offer against the inability to perform the scheduled contracts include:

- (a) temporarily restraining a contracting party from taking the following legal actions against a non-performing party or its guarantor or surety (as the case may be):
 - Court proceedings as well as arbitrations under the Arbitration Act (only in relation to the part of the proceedings which involve non-performance as a result of a COVID-19 event)
 - Insolvency proceedings, including proceedings for leave to convene a meeting of creditors in relation to a scheme of arrangement, proceedings for a judicial management order, appointment of a receiver or manager or any property or undertaking;
 - Enforcement of security over immovable property as well as movable property that is used for the purposes of a trade, business or profession;
 - Certain restrictions on a call on a performance bond or equivalent given pursuant to a construction contract or supply contract; and
 - Termination of a lease or licence of non-residential premises for non-payment of rent or other moneys;
- (b) providing additional relief in respect of forfeiture of deposits for events and tourism-related contracts;
- (c) providing contractors relief from liability for non-performance of construction and supply contracts if it was caused to a material extent by COVID-19; and
- (d) allowing the Minister for Law to appoint assessors to resolve disputes arising from the application of the Bill as a safeguard against unfair outcomes.

Temporary relief for financially distressed individuals, firms and businesses

Additionally, the Bill will also introduce temporary relief for individuals and businesses in financial distress by temporarily:

- (a) increasing the monetary threshold for bankruptcy from \$15,000 to \$60,000 (for individuals);
- (b) increasing the monetary threshold for insolvency from \$10,000 to \$100,000 (for companies / partnerships);
- (c) lengthening the statutory period to respond to demands from creditors from 21 days to 6 months; and
- (d) relieving directors from their obligations to prevent their companies from trading while insolvent if the debts are incurred during the prescribed period and in the company's ordinary course of business (however, directors will remain criminally liable if the debts are incurred fraudulently).

Temporary measures for conduct of meetings

The ability of entities to conduct meetings required by law or their constitutive documents has been impacted by the safe distancing measures implemented by the Infectious Diseases (Measures to Prevent Spread of COVID-19) Regulations 2020 that came into force on 27 March 2020. The Bill will now allow entities to adopt prescribed alternative arrangements in relation to the conduct of meetings and provide that such meetings held or deferred on or after 27 March 2020 will be deemed to satisfy the relevant requirements under law or their constitutive documents.

In this connection, the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and Singapore Exchange Regulation have provided guidance on how meetings should be conducted [here](#).

Temporary measures concerning remission of property tax

The Bill requires an owner of property to pass the benefit of any refund of, or relief from liability to pay, any property tax on the property to the tenant without imposing conditions. The Bill also sets out a process by which applications may be made by the tenant or the owner to a Valuation Review Panel to allow the tenant to seek redress should the owner fail to pass any benefit to the tenant, in the manner, amount, extent or time required or if there is a dispute over whether the Bill applied to the owner.

Offence for taking action contrary to provisions

The Bill further prescribes that a person who, without reasonable excuse, contravenes certain provisions of the Bill, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$1,000.

To read more updates from WongPartnership on the COVID-19 situation, please see our [Knowledge and Insights](#).

If you would like information on this or any other area of law, you may wish to contact the Partner at WongPartnership whom you normally work with or any of the following Partners:



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