COVID-19: RELIEFS AND SUPPORT FOR SMALL AND MEDIUM ENTERPRISES (SMES) IN SINGAPORE

Date: 10 April 2020

Asia-Pacific Regulatory & Policy Update

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As a result of the ongoing COVID-19 situation, the Singapore government has unveiled certain programmes and schemes with the purpose of assisting SMEs to weather the crisis and accompanying economic uncertainties. A number of such programmes / schemes were initially unveiled in Singapore Budget 2020 (named the "Unity Budget") on 18 February 2020. This was then followed by two supplementary budgets (the "Resilience Budget" on 26 March 2020 and the "Solidarity Budget" on 6 April 2020), both of which sought to further enhance some of the programmes / schemes initially unveiled in the Unity Budget.

Separately, the Monetary Authority of Singapore ("MAS") together with the Association of Banks in Singapore, the Life Insurance Association, the General Insurance Association and the Finance Houses Association of Singapore also announced on 31 March 2020 a further package of measures to help ease the financial strain on SMEs caused by the COVID-19 pandemic.

The key programmes, measures and schemes being put in place to support SMEs in Singapore are summarized below.

FINANCIAL RELIEFS FOR SMES

Corporate Income Tax Rebate

A Corporate Income Tax Rebate will be granted for Year of Assessment 2020, at a rate of 25 percent of tax payable, capped at S$15,000 per company. Further, several tax treatments under the corporate tax system will be enhanced for one year. For instance, enterprises will be given a faster write-down of their investments in plant and machinery, and renovation and refurbishment, incurred for Year of Assessment 2021.

Income Tax Payments Deferral

Automatic deferment of income tax payments for companies has been granted for three months. No application is required and income tax payments for companies due in April, May and June 2020 will be deferred and payable only from July 2020 onwards.

Temporary Relief from Legal Action

On 1 April 2020, the Ministry of Law announced that it intended to introduce the COVID-19 (Temporary Measures) Bill in Parliament ("Bill"). The Bill, which was recently enacted, aims to provide temporary relief and protection for individuals and companies who are unable to fulfil their contractual obligations because of COVID-19.

The Bill's goal is to allow businesses and individuals to tide over the economic impact of COVID-19 and provide temporary cash-flow relief for these businesses and individuals. The categories of contracts covered under the Bill are:

- Leases or licences for non-residential immovable property (e.g., factory premises);
- Construction or supply contracts (e.g., contract for the supply of materials);
- Performance bond or equivalent that is granted pursuant to a construction or supply contract;
- Contracts for the provision of goods and services for events (e.g., venue or catering for weddings, business meetings);
- Tourism-related contracts (e.g., cruises, hotel accommodation bookings); and
- Certain secured loan facilities granted by a bank or a finance company to SMEs.

The Bill will apply retroactively and cover contractual obligations to be performed on or after 1 February 2020. However, the bill excludes contracts entered into or renewed (other than automatically) on or after 25 March 2020.

The Bill will not absolve or remove parties' contractual obligation but will only suspend them temporarily for a prescribed period, which is six months from the commencement of the Bill. However, the prescribed period may be extended for up to a year from the commencement of the Bill.

Property Tax Rebate

Property tax rebates for the year 2020 have been enhanced in the following ways:

- One hundred percent property tax rebate for qualifying commercial properties that have been more badly affected by the COVID-19 outbreak (e.g., hotels, serviced apartments, tourist attractions, shops and restaurants).
- Thirty percent property tax rebate for businesses in other non-residential properties (e.g., offices and industrial properties).

The COVID-19 (Temporary Measures) Bill will also ensure that landlords pass on property tax rebates in full to their tenants.

Where such property is leased or licenced by the owner of the property to another, the measures dictate that the benefits be passed to the other in such manner and time as may be prescribed. Such manner may be by way of a lump sum or instalment payment of monies from the owner of the property to the lease or licensee of the property or an off-set or reduction in rent or licence fee payable. No conditions may be imposed by the owner for the passing of such benefit. A failure to comply will be an offence.

Enterprise Financing Scheme

Enterprise Singapore has extended greater financing support to SMEs in all sectors through the Enterprise Financing Scheme, specifically the Temporary Bridging Loan, SME Working Capital Loan and Trade Loan programmes.

- Under the Temporary Bridging Loan programme, SMEs may borrow up to S$5 million to finance its working capital requirements with the interest rate capped at five percent per annum and a repayment period of up to five years. SMEs may request for a deferral of principal repayment for up to one year, subject to assessment by participating financial institutions. The government has also indicated that it will undertake 90 percent risk-share on these loans for new applications initiated from 8 April 2020 until 31 March 2021.
- SMEs requiring support beyond the Temporary Bridging Loan programme may look to the SME Working Capital Loan programme under which SMEs may borrow up to S$1 million to finance its operational cash-flow needs with a repayment period of up to five years. SMEs may request for a deferment of principal repayment for up to one year, subject to assessment by participating financial institutions. The government has also indicated that it will undertake 90 percent risk-share on these loans for new applications initiated from 8 April 2020 until 31 March 2021.
- The MAS will also make available low-cost funding to participating financial institutions who will then pass the lower funding cost to SMEs under the Temporary Bridging Loan and SME Working Capital Loan programmes.
- Under the Trade Loan programme, SMEs may borrow up to S$10 million to finance their trade needs such as inventory or stock financing with a repayment period of up to one year. The government has also indicated that it will undertake 90 percent risk-share on these loans for new applications initiated from 8 April 2020 until 31 March 2021. This programme complements the Loan Insurance Scheme also offered by Enterprise Singapore which allows SMEs to secure short-term financing loans. Under the Loan Insurance Scheme, loans are insured by commercial insurers who co-share the loan default with the participating financial institutions in the event of insolvency and 80 percent of the Loan Insurance Scheme premium will be subsidized by the Singapore government.

Special Financial Relief Programme

Under the Special Financial Relief Programme announced by the MAS on 31 March 2020, SMEs may choose to defer payment of principal and pay only interest on their fully secured term loans up to 31 December 2020, subject to the financial institutions' assessment of the quality of their security.

SMEs may also chose to extend the tenure of their fully secured term loans by up to the corresponding principal deferment period. The above is only available to SMEs who are not 90 days past due on loan repayments as of 6 April 2020 and there is no need to demonstrate any impact from COVID-19.

Besides fully secured term loans, financial institutions are also prepared to work with SMEs to adjust their loan repayment schedules for other types of loan facilities.

Assistance with insurance premium payments

SMEs holding general insurance plans that protect business and property risks may apply to their insurer for instalment payment plans so that they can pay their premiums in smaller amounts and enjoy coverage for the relevant period, instead of paying a lump sum payment at the start of the policy period.

EMPLOYMENT RELATED RELIEFS FOR SMES

Job Support Scheme

The job support scheme will enable enterprises to retain their Singapore citizen and Singapore permanent resident employees. As part of the job support scheme, the government will co-fund the first S$4,600 of gross monthly wages paid to each local employee for nine months. Employers in certain sectors will receive support at higher rates. Employers in the food services sector will have 50 percent of the wages offset, and employers in the aviation and tourism sector will have 75 percent of the wages offset. Employers in all other sectors will have 25 percent of the wages offset.

In addition, the job support scheme for the month of April 2020 will be raised to 75 percent for all sectors to support firms during the “circuit breaker” period.

The job support scheme will last until the end of 2020, and employers will receive a total of three tranches of pay-outs, in April, July and October this year. The top-up to 75 percent wage support for April 2020 wages will be disbursed together with the first pay-out in April 2020, to better support firms with their cash-flow.

Wage Credit Scheme

There is also the wage credit scheme, which supports wage increases for Singapore citizen workers. The scheme currently co-funds wage increases for Singapore citizen employees earning a gross monthly wage of up to S$4,000. This wage ceiling will be raised to S$5,000 for wage increases given in 2019 and 2020. The proportion of wages which the scheme will co-fund in 2019 and 2020 will also be raised to 20 percent and 15 percent, respectively.

Foreign Worker Levy

- Extension granted for payment of foreign worker levy
  - The Ministry of Manpower (“MOM”) will provide SMEs with an additional three months to make the foreign worker levy payments. This means that SMEs will have up to five months to pay for the foreign worker levy from the month it is incurred.
  - This temporary relief measure will apply to levies incurred in 2020. Firms who are making use of the extended timeline are encouraged to retain existing workers and should not be employing fresh foreign workers. MOM will allow renewals, but not allow new applications of work passes from these firms.
- Levy waiver for foreign workers on overseas leave
  - MOM will allow levy waivers for up to 90 days for foreign workers who go on overseas home leave for at least seven consecutive days, in view of travel restrictions and difficulties workers may face in returning to Singapore.

    - Employers who send their foreign workers home from now until the end of 2020 will also be eligible for levy waiver, subject to the 90 day cap.
- Waiver of foreign worker levy in April 2020
    - The monthly foreign worker levy due in April 2020 will be waived.
- Foreign worker levy rebate
    - Employers will be provided with a foreign worker levy rebate of S$750 for each work permit or S pass holder, based on previous levies paid in 2020. Employers will receive the rebate as early as 21 April 2020.

FURTHER SUPPORT FOR SMES GOING FORWARD

Startup SG Equity

Under the Startup SG Equity Scheme, the Singapore government co-invests with independent, third-party investors into innovative, Singapore-based technology startups with intellectual property and global market potential. Key emerging sectors that the Scheme will focus on are advanced manufacturing, pharmbio/medtech and agri-food tech.

The investment cap for each startup is S$2 million for general tech startups and S$8 million for deep-tech startups, while the co-investment ratio (government: private sector) is 7:3 for the first S$250,000 and 1:1 thereafter up to S$2 million for general tech start-ups and 7:3 for the first S$500,000, 1:1 for S$500,000 to S$4 million and 3:7 for S$4 million to S$8 million of investment.

The Singapore Government will also invest in selected venture capital firms that will in-turn invest in deep-tech start-ups.

SkillsFuture Enterprise Credit

The SkillsFuture Enterprise Credit encourages employers to invest in enterprise transformation and capabilities of their employees. Eligible employers will receive a one-off S$10,000 credit to cover up to 90 percent of out-of-pocket expenses on qualifying costs for supportable initiatives, over and above the support levels of existing schemes which may be in place.

Supportable initiatives include those on enterprise transformation, as well as workforce transformation, which includes job redesign initiatives, and curated training programmes such as those aligned to certain SkillsFuture Singapore and Workforce Singapore training courses.

To encourage employers to train and upskill their workers, S$3,000 of the credit should be used for workforce transformation programmes and employers can use up to S$7,000 for enterprise transformation. There is no cap on the amount that can be used for workforce transformation.

SMEs Go Digital Programme

The SMEs Go Digital programme was previously introduced with the aim of helping SMEs build digital capabilities. The sector-specific Industry Digital Plans provide SMEs with a step-by-step guide on the digital solutions to adopt and relevant training for their employees at different stages of their growth. The Industry Digital Plans serve as a common reference for SMEs and they are aligned with the Industry Transformation Maps for each sector.

The Unity Budget expanded this programme by implementing Industry Digital Plans across all 23 Industry Transformation Maps sectors, thereby enabling enterprises to access pre-approved digital solutions. Additionally, the Resilience Budget has further enhanced this programme by providing support for more digital solutions, from basic remote working tools, to more advanced systems.

Productivity Solutions Grant

The Productivity Solutions Grant enables SMEs to offset the costs of adopting digital solutions offered in the SMEs Go Digital programme up to a the maximum support level of 80 percent.

Enterprise Development Grant

The Enterprise Development Grant was designed to assist Singapore companies to upgrade their business, innovate or venture overseas under the three pillars of: core capabilities, innovation and productivity, and market access. It funds qualifying project costs namely third-party consultancy fees, software and equipment, and internal manpower cost.

The Resilience Budget has raised the maximum level of funding support to 80 percent from 1 April 2020 to 31 December 2020. For enterprises that are most severely impacted by COVID-19, the maximum support level may be raised to 90 percent on a case-by-case basis.

CONCLUSION

The various initiatives and measures outlined above highlight the Singapore government's continued commitment to support SMEs during the ongoing COVID-19 pandemic. Should you have any queries on the above, please do not hesitate to contact us.

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