

**PRESS RELEASE****Temporary Relief for Inability to Perform Contractual Obligations due to Coronavirus Disease 2019 (COVID-19) Situation**

1. The Ministry of Law (“MinLaw”) intends to introduce the COVID-19 (Temporary Measures) Bill in Parliament next week. The Bill seeks to offer temporary relief to businesses and individuals who are unable to fulfil their contractual obligations because of COVID-19.
2. The COVID-19 pandemic, and associated public health measures imposed by governments around the world, has had unprecedented and unforeseeable social and economic impact. There are supply chain disruptions and manpower shortages, among other consequences. In many cases, this has undermined the ability of individuals and businesses to fulfil contractual obligations. It would be unfair to hold them strictly liable for their failure to do so.
3. COVID-19 has had impact on contracts relating to commercial undertakings (e.g. construction projects), commercial and industrial tenancies and individual consumer transactions (e.g. bookings for events). Individuals or companies who are unable to meet their obligations may have to pay damages or forfeit deposits. Otherwise stable businesses may be sued and face lengthy litigation or possible insolvency.
4. To complement the financial measures announced in the Resilience Budget, the Bill provides temporary and targeted protection for businesses and individuals who are unable to fulfil certain contractual obligations because of COVID-19. It will, in that way, seek to provide temporary cash-flow relief for these businesses and individuals, who may otherwise have to pay damages or risk having their deposits or assets forfeited.
5. 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.
6. The measures will cover relevant contractual obligations that are to be performed on or after 1 February 2020<sup>1</sup>, for contracts that were entered into or renewed before 25 March 2020<sup>2</sup>. The measures will be in place for a prescribed period, which will be six months from the commencement of the Act at first instance.

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<sup>1</sup> 1 February 2020 was the approximate date when the impact of COVID-19 started to be significantly felt in Singapore’s economy.

<sup>2</sup> Stricter measures to minimise further spread of COVID-19 were introduced by the Multi-Ministry Taskforce on 24 March 2020, including limiting gatherings outside of work and school to 10 persons or fewer, closure of bars and entertainment venues, suspension of organised tours in public venues, and deferment or cancellation of all events and mass gatherings regardless of size (e.g. conferences, exhibitions, festivals, concerts, sporting events, trade fairs).

Subsequently, it may be extended, for up to a year from the commencement of the Act.

## **A. Temporary Relief from Legal Action**

### Types of contracts covered

7. The Bill will cover the following contracts:
  - a) Leases or licences for non-residential immovable property (e.g. lease for factory premises);
  - b) Construction contract or supply contract (e.g. contract for the supply of materials);
  - c) Contracts for the provision of goods and services (e.g. venue, catering) for events (e.g. weddings, business meetings);
  - d) 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); and
  - e) Certain loan facilities granted by a bank or a finance company to SMEs<sup>3</sup>.
8. The Bill will prohibit a contracting party from taking the following legal actions against a non-performing party:
  - a) Court and insolvency proceedings;
  - b) Enforcement of security over immovable property as well as movable property that is used for the purposes of business or trade;
  - c) Call on a performance bond given pursuant to a construction contract; and
  - d) Termination of leases of non-residential premises.
9. In addition, there will be additional relief in respect of forfeiture of deposits for events and tourism-related contracts. For example, if a person who booked a venue for an event postpones the event because of COVID-19 restrictions, the venue provider cannot forfeit the person's deposit unless the provider obtains a determination from an assessor that it would be just and equitable to forfeit either the whole deposit or a part of it (e.g. if the person cancels the booking entirely).
10. In the case of construction and supply contracts, a contractor will be relieved from liability for non-performance if this was caused to a material extent by COVID-19.

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<sup>3</sup> Businesses with turnover of not more than \$100 million in the latest financial year.

## Body of Assessors

11. As a safeguard against unfair outcomes, assessors will be appointed by the Minister for Law to resolve disputes arising from the application of the Act. They will 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. The process will be affordable, fast, and simple. 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. Details of the application process will be released in due course.

## **B. Measures Relating to Bankruptcy & Insolvency**

12. The Bill will also introduce temporary relief for individuals and businesses in financial distress by temporarily –
  - a) For individuals: Increasing the monetary threshold for bankruptcy from \$15,000 to \$60,000, and
  - b) For businesses: 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
13. Directors will be temporarily relieved from their obligations to prevent their companies trading while insolvent if the debts are incurred in the company's ordinary course of business. However, Directors remain criminally liable if the debts are incurred fraudulently.

**MINISTRY OF LAW  
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