

S\$33 billion Fortitude Budget to help businesses during a gradual resumption from Circuit Breaker

June 2, 2020

On 26 May 2020, Deputy Prime Minister and Minister for Finance Heng Swee Keat presented the S\$33 billion Fortitude Budget in Singapore's fight against COVID-19 and its impact on the business community here. The Fortitude Budget is this year's fourth budget and complements the earlier Unity Budget (announced in February 2020), Resilience Budget (announced in March 2020) and Solidarity Budget (announced in April 2020) to provide additional support for businesses and employees in Singapore to adapt, transform and seize new opportunities. We set out a summary of the announcements that would support the business sector in Singapore.

Protecting Livelihoods, Transforming Businesses

Enhancements to the Job Support Scheme

The Job Support Scheme (JSS) that was introduced provides all employers with wage subsidies to help cope with salary costs for a period of time to tide through the COVID-19 crisis. Under the Fortitude Budget, the JSS will be enhanced in three (3) ways:

1. The duration of JSS payouts will be increased by one (1) month (based on wages paid in August 2020) for all firms (based on the first S\$4,600 of wages of each local employee);
2. For firms that cannot resume operations immediately after the circuit breaker, the Fortitude Budget provides wage support at seventy-five per cent. (75%) until August 2020, or when they are allowed to re-open, whichever is earlier; and
3. The government will increase the level of wage support for firms in sectors that are more severely impacted from the previous twenty-five per cent. (25%) to fifty per cent. (50%) (for food services, retail, arts and entertainment, marine and offshore and land transport sectors) or seventy-five per cent. (75%) (for aviation, tourism, build aerospace and MICE organisers) for the months ahead.

Foreign Worker Levy Waiver and Rebate

There would be a 100% waiver of foreign worker levy in June 2020 with a 50% waiver in July 2020 for businesses that are not allowed to resume operations on-site immediately after the circuit breaker. This will include all businesses in the construction, marine and offshore, and process sectors. There would also be a S\$750 rebate for each Work Permit or S Pass holder in June 2020 with at S\$375 rebate in July 2020. Levy rates would be restored from August 2020 onwards or when workers are able to attend work again, whichever is earlier.

Deferring Increase in CPF Contribution Rates for Senior Workers

The increase in Central Provident Fund (CPF) contribution rates for senior employees will be deferred by one (1) year, from 01 January 2021 to 01 January 2022. Similarly, the CPF Transition Offset scheme, which will provide employers

of senior employees with government funding to offset the cost of their wages and the rising CPF contribution rates, will be deferred until after such higher rates take effect.

Expanding Rental Relief for Small and Medium Enterprises

The Property Tax Rebate announced in the Unity Budget was further enhanced in the Fortitude Budget. The Fortitude Budget allocates approximately S\$2 billion in cash grants to help Small and Medium Enterprise (SME) tenants with rental costs. Taken together with the Property Tax Rebate, the government will offset another two (2) months of rental for qualifying SME tenants of commercial properties, and about one (1) month for qualifying SME tenants of industrial and office properties.

Furthermore, there would be a new Bill proposed to mandate that landlords contribute by granting a rental waiver to their SME tenants who have suffered a significant revenue drop in the past few months. The extent of significant revenue drop is not known yet. The new Bill will also cover provisions on temporary relief from onerous contractual terms such as excessive late payment interest or charges. When the Bill is passed by Parliament, it will allow tenants to repay their arrears through instalments.

Extending Rental Relief for Government Tenants

There will also be an additional two (2) months of rental waivers for commercial tenants of government properties, adding up to a total of four (4) months of rental waivers. Stallholders in hawker centres and markets managed by government agencies will get a total of five (5) months of rental waivers. For industrial, office and agricultural tenants of government agencies, there will be an additional one (1) month of rental waiver, adding up to total of two (2) months of rental waiver.

Enhancing Financing Support for Promising Start-ups

There will be enhanced financing support for promising start-ups. In addition to the Temporary Bridging Loan programme and the Enterprise Financing Scheme introduced and enhanced in the past Budgets this year, the government will set aside S\$285 million through the Fortitude Budget to support and catalyse growth of promising start-ups by matching private investments (in addition to S\$300 million of support announced in the Unity Budget for deep-tech start-ups) – we believe this would help to preserve the start-up innovation ecosystem that has been built over several years. The additional financing will be used to help these start-ups sustain their innovation and entrepreneurship activities. As of the date of this article, we await further details with respect to the deployment of the above sums.

Digital Transformation

Another key theme in the Fortitude Budget has been to accelerate digitalisation of businesses through an allocation of more than S\$500 million to support businesses in digital transformation. This support under the Fortitude Budget has three (3) prongs:

1. Stallholders in hawker centres, wet markets, coffee shops and industrial canteens will be granted a bonus of S\$300 per month over a period of five (5) months to encourage them to adopt e-payments and to avoid handling cash;
2. There would be a Digital Resilience Bonus to allow eligible businesses, starting with the F&B and retail sectors, to receive a pay out of up to \$5,000 if they adopt PayNow Corporate and e-invoicing as well as business process or e-commerce solutions; and
3. For business with basic digital capabilities – the Digital Resilience Bonus will have an additional tier of \$5,000 for F&B and retail businesses that incorporate advanced solutions. The Fortitude Budget would provide \$250 million to help businesses digitalise in partnership with digital platform solution providers and industry champions.

SGUnited Jobs and Skills Package

Preservation of jobs and encourage hiring for new jobs was a key focus of the Fortitude Budget

An SGUnited Jobs and Skills Package would be launched to create about 100,000 opportunities in three (3) areas: (1) 40,000 jobs with 15,000 jobs in the public sector and 25,000 jobs in the private sector, (2) 21,000 traineeships to help local first-time jobseekers gain experience in areas of demand and 4,000 traineeships for unemployed mid-career job seekers to gain new skills; and (3) 30,000 local jobseekers looking to upgrade their skills whilst looking for a job.

An hiring incentive is also being provided to employers to hire local workers of all ages who have gone through eligible traineeship and training schemes. For eligible workers aged 40 and above, the hiring incentive under the SkillsFuture Mid-Career Support Package introduced in the Unity Budget will be doubled to cover forty per cent. (40%) of their monthly salary over six (6) months, capped at S\$12,000 in total. For eligible workers under 40, this incentive will cover twenty per cent. (20%) of their monthly salary over six (6) months, capped at \$6,000 in total.

Conclusion

A key theme of the Fortitude Budget (and earlier Budget announcements) has been to protect livelihoods and allow for job opportunities to remain available for fellow Singaporeans displaced by the current crisis. Following a challenging circuit breaker period, it is certainly opportune to introduce this Budget to help tide businesses and workers through as Singapore prepares to re-open its economy in the next phase of our fight against COVID-19. Dentons Rodyk applauds the above initiatives and is well placed to provide its support and assist businesses that need guidance on the above alongside looking at the legal options available to assist companies tide through and survive this uncertain period.

Dentons Rodyk thanks and acknowledges Practice Trainee Jastine Yew for her assistance with this article.

Your Key Contacts



Sunil Rai

Partner, Singapore

D +65 6885 3624

sunil.rai@dentons.com