



SINGAPORE INSOLVENCY REFORMS COVID-19 (TEMPORARY MEASURES) BILL

On 7 April 2020, the Singapore Government passed the COVID-19 (Temporary Measures) Bill, in an effort to provide temporary relief measures to businesses and individuals who are unable to fulfil their contractual obligations due to the COVID-19 pandemic. The measures extended principally cover five areas – (1) the inability to perform contracts, (2) financially distressed individuals, firms and businesses, (3) conduct of meetings, (4) Court proceedings, and (5) remission of property tax. When the bill was passed in Parliament, the period of relief will be given is for six months and if necessary, it will be extended for up to a year.

At Acutus, our Corporate Restructuring & Insolvency team is pleased to set out herein details of the relief measures in relation to bankruptcy and insolvency.

Raising the threshold for bankruptcy and insolvency

- For Individuals:
 - i. The monetary threshold for bankruptcy will be raised from S\$15,000 to S\$60,000.
 - ii. The suitability of an individual for a debt repayment scheme, and the avoidance of bankruptcy is lifted from S\$100,000 to S\$250,000.

- For Businesses:

The monetary threshold for insolvency will be raised from S\$10,000 to S\$100,000.

Lengthening the statutory demand period

The statutory period for a debtor to respond to a demand from creditor's before a presumption of insolvency will arise is extended from 21 days to six months.

Prohibiting certain legal actions against non-performing parties

The Bill prohibits a contracting party from initiating the following legal actions against a non-performing party:

- Filing Court and insolvency proceedings, including, among others, those for a scheme of arrangement, judicial management and winding up.
- Enforcing security over immoveable property and moveable property used for the purposes of business or trade.
- Calling on a performance bond given under a construction contract, and
- Terminating the leases of non-residential premises.

Suspending Insolvent Trading

Under section 339(3) of the Singapore's Companies Act (Cap. 50), insolvent trading carries criminal liabilities.

When a company is insolvent, any payment or any transaction that it makes may incur civil or criminal liabilities for its directors. This offence is premised on the basis of the director knowingly causing the company to take on a debt obligation when he has no reason or probable grounds for expectation that the company would be able to repay the debt as and when it falls due.

This Bill would temporarily relieve directors from their obligations to prevent their companies from trading while insolvent if the debts are incurred in the company's ordinary course of business during the prescribed period. Notwithstanding the above, they remain criminally liable if the debts are incurred fraudulently.

If you wish to understand more on the above, please feel free to approach:

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