

PRESS RELEASE

**Businesses May Seek Assistance Under Re-Align Framework
from 15 January 2021**

1. Small and micro businesses that have been significantly impacted by COVID-19 and wish to renegotiate selected types of contracts with their counterparties can do so under the Re-Align Framework from 15 January 2021.
2. Under the framework, counterparties will have to enter into negotiations over contracts that have been impacted by COVID-19. If negotiations are unsuccessful and parties are unable to come to a mutual agreement, the contract will be terminated on just and fair terms in accordance with the Re-Align Framework.
3. The framework will be available for six weeks from 15 January 2021, i.e. until and including 26 February 2021.
4. Businesses that wish to renegotiate their contracts must serve a Notice of Negotiation, accompanied by relevant documents proving their eligibility, on the other party or parties to the contract, by 26 February 2021.
5. The Re-Align Framework complements a range of Government support measures to help businesses and the economy tide through this exceptional period, including the Jobs Support Scheme and Rental Relief Framework, among others. Together with existing legal remedies and other COVID-19 reliefs, as well as the upcoming Simplified Insolvency Programme, this new framework will help businesses exit from non-performing and unproductive endeavours more efficiently. This will allow the economy to unlock assets and resources more quickly and be better repositioned for recovery.

(A) Eligibility criteria

6. Developed in consultation with the industry, the framework seeks to help small and micro businesses whose business outlook has been severely impacted by COVID-19, even after the resumption of economic and social activities.
7. A business will be eligible for the framework if:
 - (a) Its annual revenue for the Financial Year 2019 does not exceed S\$30 million on a global group basis; and

- (b) It has experienced at least a 70% fall in monthly average gross income for July to December 2020, compared to July to December 2019¹.
8. The framework only applies to certain key business-to-business contracts, as detailed in Annex A.

(B) Process of renegotiation

9. The processes provided for under the Re-Align Framework are summarised at Annex B. A business seeking to invoke the Re-Align Framework (“**Affected Business**”) must:
- (a) Serve a Notice of Negotiation, using the designated forms, on the other party or parties to the contract (“**Other Party**”) and other interested parties to the contract (e.g. guarantor, surety or assignee).
 - (b) This must be done anytime within **six weeks**, starting 15 January 2021 and ending 26 February 2021. The window is kept short to encourage parties to quickly resolve their contractual difficulties.
 - (c) The Notice of Negotiation must be accompanied with relevant supporting documents proving the Affected Business’s eligibility under the framework. These include financial statements.²
 - (d) There will be a **four-week period** after the date of the Notice of Negotiation for the Affected Business and the Other Party to renegotiate the terms of the contract (“**Negotiation Period**”). Parties are strongly encouraged to make full use of the four weeks to try to reach a compromise.
 - (e) To avoid parallel proceedings on the same matter while negotiations are in progress, the Other Party will be prohibited from taking legal and enforcement actions (e.g. court proceedings) against the Affected Business for failure to perform any contractual obligation that is due to be performed, once a Notice of Negotiation has been served. Generally, the prohibition will end after the Assessor’s determination on all issues before him.
10. If parties are unable to successfully renegotiate and come to a mutual agreement within the four-week Negotiation Period:
- (a) The Other Party may object to the Notice of Negotiation if it does not agree that the Affected Business meets the eligibility criteria for the framework. The Other Party may do so by lodging a Notice of Objection with the Registrar within **two weeks** after the Negotiation Period ends (“**Objection**”).

¹ Alternative periods will be used if the business had not commenced operations during July to December 2019 or by July 2020. However, the business must have commenced operations (i.e. be in a position to earn revenue) by 1 September 2020 to be eligible. More information will be made available on www.go.gov.sg/re-align.

² The list of supporting documents will be made available on www.go.gov.sg/re-align.

Period") and serving a copy of the same on the Affected Business and other interested parties to the contract (e.g. guarantor, surety or assignee).

- An independent Assessor appointed by the Minister for Law will make a determination on the Affected Business's eligibility as well as parties' obligations upon termination. Until the determination is issued, there is no termination and the contract and its corresponding obligations will continue to run.

(b) If the Other Party does not lodge and serve a Notice of Objection within this two-week Objection Period, the contract will be deemed terminated two days after the Objection Period ends.

(C) Terminated contracts

11. If a contract is terminated under the Re-Align Framework, a set of default just and fair terms will apply. Generally, the Affected Business will not be liable for future obligations after the date of termination, subject to specific exceptions. However, accrued obligations up to the date of termination remain payable and enforceable. (Refer to Annex C for illustrations.)

12. If one or all of the parties are of the view that the default terms of termination should not apply or should be adjusted to better fit their particular circumstances, and if they cannot first reach an agreement amongst themselves, either party may lodge a Notice for Adjustment to request that an Assessor make a determination. The Notice for Adjustment must be lodged within **two weeks** after the end of the Objection Period.

13. All Assessors' determinations are binding and not appealable. Parties may seek legal advice if they wish, but legal representation will not be allowed in the course of the determinations.

(D) Coverage of contracts terminated on or after 2 November 2020

14. The Re-Align Framework will not apply to any contract which has been terminated before 2 November 2020.

15. However, where a contract is terminated on or after 2 November 2020 under any other laws or under the terms of the contract, and the eligible business subsequently serves a Notice of Negotiation, the terms of termination under the Re-Align Framework (as outlined at paragraph 11) will apply.

(E) Landlord hardship relief

16. Small landlords who might face financial hardship arising from the termination of the lease or licence agreement, may lodge with the Registrar and serve on their tenants a Notice for Compensation within **2 weeks** after the Negotiation Period ends.

17. Such landlords will receive compensation in the event of an early lease termination by a tenant under the framework. The amount of the compensation will be determined by an Assessor.
18. To qualify, a landlord must meet all the following requirements:
 - (a) He is an individual, a sole proprietor, or a holding company of individual(s) and/or sole proprietor(s);
 - (b) The individual or sole proprietor depends on rent for a significant portion of his income, such that the average monthly rental income from the property is more than 50% of his monthly average income; and
 - (c) The individual's or sole proprietor's annual individual income does not exceed \$107,500.

(F) Repayment Scheme for hirers and renters of commercial equipment

19. Hirers and renters of commercial equipment or vehicles whose revenues have fallen by 70% or more will struggle to pay the arrears and meet regular payments in accordance with original terms of the contract. Such businesses who are eligible for the Re-Align Framework will be given the option to take up the Repayment Scheme, which is an instalment plan that allows them to pay their accrued arrears within 18 months.
20. They must serve a Notice of Revision, using the designated forms, on all parties to the contract and all interested parties (e.g. guarantor, surety or assignee in relation to the hirer / renter's obligations under the contract) within the same **six-week period** starting 15 January 2021 and ending 26 February 2021.
21. More information on the Re-Align Framework, the application process and supporting documents required is available at www.go.gov.sg/re-align.

**MINISTRY OF LAW
10 DECEMBER 2020**