



THE RESILIENCE BUDGET: PREPARING FOR THE EXPECTED ECONOMIC CHALLENGES

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INTRODUCTION

On 26 March 2020, the Singapore government introduced a supplementary budget, called the Resilience Budget, with S\$48.4 billion in additional support measures in response to the coronavirus outbreak. This is more than seven times the S\$6.4 billion in the first tranche of Covid-19 support measures announced on 18 February. The Resilience Budget was announced by Deputy Prime Minister and Finance Minister Heng Swee Keat in Parliament.

The Resilience Budget centres on three key areas:

- 1** Saving jobs, supporting workers and protecting livelihoods;
- 2** Helping businesses overcome immediate financial and economic challenges;
- 3** Strengthening economic and social resilience.

In total, the government is dedicating close to S\$55 billion to support the people in this battle, amounting to 11 per cent of Singapore's GDP.

S\$39.2 BILLION DEFICIT



The latest measures will raise the overall budget deficit for FY2020 to S\$39.2 billion or 7.9 per cent of GDP. Mr Heng said that the government is ready to meet such downsides because it has been fiscally prudent.

The situation is highly fluid and uncertain, but Singapore will adopt a nimble fiscal posture so that it can quickly channel resources at hand to the most urgent and important needs of its people, he added.

PROPERTY MARKET-RELATED MEASURES

Among the various measures in the Resilience Budget, the following are directly related to the real estate market.

PROPERTY TAX REBATE

Property tax rebate announced at Budget 2020 will be enhanced. Qualifying commercial properties which have been badly affected by COVID-19, such as hotels, serviced apartments, MICE premises, shops and restaurants will pay no property tax, while all other non-residential properties would get a new 30 per cent rebate for the year 2020. MICE premises include Suntec Convention Centre, Singapore Expo, Changi Exhibition Centre.



- ✓ Tourist attractions such as Singapore Zoo, Singapore Flyer, Haw Par Villa, Singapore Cruise Centre, Marina Bay Cruise Centre will be exempted from property tax.
- ✓ Businesses that qualify for the 30 per cent rebate include offices and industrial properties.
- ✓ Marina Bay Sands and Resort World Sentosa will get 60 per cent property tax rebate.
- ✗ Vacant land and land under re-development will not receive any property tax rebate.

"I strongly urge landlords to fully pass on the rebate to tenants, by reducing rentals, to directly ease the cash flow and cost pressures faced by tenants,"
 Mr Heng said during his Resilience Budget speech in parliament.

RENTAL WAIVERS

Stallholders at hawker centres managed by NEA or NEA-appointed operators will get three months of rental waiver, up from one month announced during Budget 2020.

Other government agencies like the Housing & Development Board and the National Arts Council will provide two months of rental waiver to eligible tenants, up from half a month announced during Budget 2020. Beneficiaries include social service agencies and charities, Mr Heng said.

In addition, all other non-residential tenants will receive half a month of rental waiver.

This could help to keep the prices of essential items, such as food, affordable.

OTHER MEASURES

Other than property-related measures, the following are different aspects of the Resilience Budget to safeguard the livelihood of Singaporean families and businesses



HELPING EMPLOYEES STAY EMPLOYED

The Jobs Support Scheme that were previously introduced in Budget 2020 ensure that less wage burden is put on companies. Government will pay 25% of monthly wages for every local worker, capped at \$4,600 for 9 months. Sectors that are more affected by Covid-19 will enjoy up to 75% support from the government. Wage Credit Scheme will also bring forward additional pay-out from September to end-June 2020.

LAND TRANSPORT

Relief monthly payments of S\$300 per vehicle will be given to taxi drivers and private-hire car drivers until the end of September. More support will also be given to taxi and PHC operators with more details being announced at a later date. Private bus owners will also enjoy tax rebate for 2020. At government-managed parking facilities, private bus owners can also get waiver of parking fees for sixth months.

HELP FOR TOURISM, F&B SECTORS

Wage offset under the Enhanced Job Support Scheme (EJSS) will be given to support tourism and F&B sectors as they are the most affected sectors during this Covid-19 period. Licensed hotels, travel agencies and tourist attractions as well as cruise operators and MICE venue operators will get 75% wage offset. S\$90 million would be set aside to help the industry rebound when the time is right. For F&B firms, the wage offset will be at 50%. This initiative is capped at the monthly wage of S\$4,600.

HELP FOR AVIATION SECTOR

To ensure that the “bleeding” of aviation companies is not a permanent situation, the aviation company will also benefit from 75% wage offset under the EJSS, capped at the monthly wage of S\$4,600. There will also be a S\$350 million enhanced Aviation Support Package for: Rebates on landing and parking charges, rental relief for airlines, ground handlers and cargo agents.

This is critical for maintaining Singapore connection to the rest of the world, ensuring that Singaporeans are able to return home and there is minimal disruption to our trading activities and supplies of essentials

HELP FOR ARTS & CULTURAL SECTOR

A S\$55 million support package will be introduced to safeguard jobs and retain capabilities as well as enhancing digitisation. This initiative will ensure robustness of the economy despite facing headwinds.

ENHANCED FINANCING SCHEMES

Various financial measures were introduced to support businesses in times of difficulties:

- Temporary Bridging Loan Programme: Expanded from tourism sector to all enterprises, maximum support raised to S\$5 million, from S\$1 million.
- Enterprise Financing Scheme (EFS) - Trade Loan: Maximum loan quantum increased to S\$10 million and Government's risk-share raised to 80 per cent.
- Loan Insurance Scheme: Subsidies to businesses for loan insurance premiums raised from 50 per cent to 80 per cent.
- EFS - SME Working Capital Loan: Further enhanced to support loans of up to S\$1 million, from S\$600,000.

SUPPORT FOR CAPABILITY DEVELOPMENT

Maximum support levels for Productivity Solutions Grant and Enterprise Development Grant will be raised to 80% and 90% respectively, till end-2020. Enhanced SMEs Go Digital will support both ready-to-adopt and advanced digital solutions that reduce face-to-face contact till end of this year.

DEFERMENT OF INCOME TAX PAYMENTS FOR FIRMS, SELF-EMPLOYED

Income tax payments for companies and self-employed workers will be deferred for three months. For companies, the deferment will be for April, May and June. For the self-employed, the deferment will be until July, and payments only start in August.

PRICE HIKES DEFERRED; LOAN REPAYMENT, SOME CHARGES SUSPENDED

All fees and charges increase by the Government will be deferred until Mar 31, 2021. For loan repayment and interest rates including study loan issued by the government, these will be suspended until May 31, 2021. The Government will also suspend all late payment charges on arrears for three months for those struggling with HDB mortgage payments.

SUPPORTING THE UNEMPLOYED

ComCare schemes will be made more flexible to help all Singaporeans affected by the COVID-19 crisis. It will introduce a temporary relief fund in April to provide immediate financial assistance to families that need help urgently. Under the Covid-19 Support Grant, low and middle-income Singaporeans who lost their jobs due to Covid-19 can get cash grant of \$800 per month for three months.

SGUNITED JOBS INITIATIVE

The SGUnited Jobs Initiative aims to create new 10,000 jobs over the next year, especially for the public sector who need more manpower to deal with the Covid-19 related operations.

SGUnited Jobs virtual career fair will be launched on MyCareersFuture.sg on Friday, with more than 2,200 vacancies, including a majority of short-term temporary positions that are immediately available.

HELPING THE SELF-EMPLOYED

Self-employed workers will get direct cash support to help them get through challenges during the crisis. They include real estate agents, media and art freelancers and sports coaches. There will be a S\$1.2 billion SEP (Self-Employed Persons) Income Relief Scheme (SIRS) to provide eligible self-employed persons with S\$1,000 a month for nine months. The SEP Training Support Scheme will be extended to December and its hourly training allowance will be enhanced to \$10 per hour. Enhanced Workfare Special Payment will benefit an estimated 50,000 lower-income SEPs.

Under the scheme, eligible SEPs will receive three quarterly cash payouts of \$3,000 each in May, July and October 2020.

• Eligibility Criteria

About 50,000 SEPs currently receive Workfare payouts annually, and will be eligible for SIRS. Due to the extraordinary circumstances brought about by the COVID-19 pandemic, the government has broadened the eligibility criteria beyond Workfare to enable more SEPs to qualify for SIRS. As a result, SIRS is expected to automatically benefit about 88,000 SEPs

Singaporean SEPs who meet all of the following criteria are eligible for SIRS:

- Started work as an SEP on or before 25 March 2020;
- Do not also earn income as an employee;
- Earn a Net Trade Income of no more than \$100,000;
- Live in a property with an annual value of no more than \$13,000; and
- Do not own two or more properties.

For married Singaporean SEPs, the following additional criteria apply:

- The individual and spouse together do not own two or more properties; and
- The Assessable Income of his/her spouse does not exceed \$70,000.

• Automatic payments for most eligible SEPs

Singaporean SEPs aged 37 and over in 2020 who declared positive SEP income to Inland Revenue Authority of Singapore (IRAS) / CPF Board (CPF) for Work Year 2018 do not need to apply. They will be automatically notified of their eligibility via letter and SMS, and will receive the first SIRS payout automatically in May 2020.

SUPPORTING FAMILIES

Current pay-out under Care & Support – Cash for all Singaporean aged 21 and above will tripled in 2020. All Singaporeans aged 50 and above will receive S\$100 Passion Card top-up in cash. Various groceries vouchers will also be given to Singaporean living in the 1-room and 2-room HDB flats. Grant to Self-Help Groups will double to \$20m over 2020 and 2021, and grant to Community Development Councils will increase to \$75m in 2020.

CONCLUSION

The Singapore government has brought out the big guns to tackle the expected negative economic impact brought about by the Covid-19 outbreak. The Resilience Budget is the biggest off-budget measures announced by the government so far. However, it has not use up all the ammunition, in case additional measures are needed later.

The measures are aimed at assisting businesses and individuals to weather the expected adverse economic condition. Although most of the measures are not directed at the real estate market, if businesses can continue to operate and individuals continue to earn income, it would be positive for the real estate market. If the Covid-19 outbreak were allowed to cause wide-spread business closures and financial hardship, it could lead to falling demand for real estate, rising vacancy and property foreclosures.

The health of the real estate market is linked to the employment rate and household income. People would have confidence to invest in real estate or upgrade their homes if they have stable job security. Therefore, if the Resilience Budget could help to save jobs, the results would be positive for the real estate market.

The property tax rebate could bring some relief to businesses if landlords were to pass the rebates to tenants such as by lowering rentals. If landlords fail to do so and the tenants' businesses were to fail subsequently, the latter will vacate the premises. Furthermore, it would also be more challenging to fill up vacant real estate in a weak economic climate. Hence, it would be a lose-lose situation if landlords do not pass on the tax rebates. Empty premises do not generate rental income.

Overall, the Resilience Budget could be the shot in the arm that the Singapore people and economy need to get through the coming challenges.

Source: Ministry of Finance, Inland Revenue Authority of Singapore, Channel News Asia, The Business Times.

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