



# **ERA COMMENTARY - SOLIDARITY BUDGET: MORE RELIEF AND STRONGER DEFENCES AGAINST ECONOMIC IMPACT OF COVID-19**

Written by ERA Research & Consultancy Dept.  
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## INTRODUCTION

On 6 April 2020, Deputy Prime Minister and Finance Minister Heng Swee Keat introduced the second round of economic support in Parliament. The S\$5.1 billion supplementary budget, called the Solidarity Budget, aims to help firms get through the Covid-19 outbreak and particularly the “circuit breaker” period, so that companies could resume operation as soon as the restrictive measures are lifted. In order to help businesses, the government will provide aid in terms of Cash, Cost and Credit. The additional measures will increase Singapore overall budget deficit for FY2020 to S\$44.3 billion, or 8.9% of the nation’s Gross Domestic Product (GDP)

The additional measures mainly focus on the following areas:

- 1** Save jobs: The government will provide the necessary supports to help firms retain workers and resume operations once the “circuit breaker” is lifted
- 2** Protect livelihood: More support will be given to households and more self-employed individuals
- 3** Preserve businesses: New bill and financing supports will ensure businesses can tie over difficult times



The Unity, Resilience and Solidarity Budgets are built upon each other and work together to provide a steadfast response to the challenges posed by the Covid-19 outbreak. This is an unprecedented budget for extraordinary times, said Mr Heng, with a total of S\$59.9 billion spent to combat the expected negative impact of Covid-19. Mr Heng also noted that during this uncertain period, the government is ready to provide further support to protect the welfare of its residents.

## REAL ESTATE RELATED MEASURES

### Government to increase rental waiver for its tenants to a month

The Government will continue to lead by example in supporting tenants by waiving rents of industrial, office and agricultural tenants of government agencies for a month, up from the half-month rental waiver announced at the Resilience Budget.

Stallholders in hawker centres managed by the National Environment Agency or NEA-appointed operators will continue to get three months of rental waivers, while commercial tenants will continue to receive two months of rental waivers.

### Law to ensure property tax rebates are passed on to tenants

Earlier, a Property Tax Rebate for the tax payable in 2020 of up to 100 per cent for non-residential properties, an amount which is slightly more than a month's rent, was announced.

Law and Home Affairs Minister K. Shanmugam will introduce a Bill to let businesses and individuals defer certain contractual obligations, such as paying rent, repaying loans, or completing work, for a period.

The Bill will also ensure that property owners pass on the Property Tax Rebate in full to tenants, as Prime Minister Lee Hsien Loong mentioned in his address.

### Commentary on the real estate related measures

The government's waiver of rental for its tenants would be welcomed by the latter. The short-term impact is that even after the Covid-19 outbreak is contained, some small businesses may prefer to lease premises from the government as they perceive that they could receive more assistance from the government in time of economic difficulties.

The law to compel landlords to pass on the property tax rebates in full to tenants was expected as it was announced last week. It will provide much needed assistance to tenants, especially small businesses. The impact on landlords would be generally neutral.

## OTHER MEASURES FOR BUSINESSES AND INDIVIDUALS

### **JOBS SUPPORT SCHEME ENHANCED TO HELP ALL 1.9 MILLION LOCAL EMPLOYEES**

In order to assist firms in retaining and paying their workers, the Jobs Support Scheme will be enhanced so businesses can resume operations quickly when the “circuit breaker” period is lifted.

Previously, under the Resilience Budget, the scheme would give wage subsidies of between 25 per cent and 75 per cent, depending on the sector, for the first \$4,600 of gross monthly wages per local employee till the end of the year.

This will now go up to 75 per cent for all local employees in the month of April, which means it will benefit all of Singapore’s 1.9 million local workers.

The first payout will be brought forward to April, from May. Firms on Giro and PayNow will receive the first payout next week, while those without will get them by cheque a week later.

Firms should make use of the scheme’s support to continue paying their workers, and refrain from putting workers on no-pay leave during the period or, worse, retrenching them. The authorities will monitor the situation carefully together with its tripartite partners, and would intervene where needed.

### **FOREIGN WORKER LEVY WAIVED FOR APRIL WITH REBATE OF \$750 PER PERMIT OR S PASS HOLDER**

Employers who hire foreign workers on work permits and S Passes should also take care of these workers who will also face difficulties during the 4-week “circuit breaker” period, so firms can resume operations quickly once the measures are lifted.

The monthly Foreign Worker Levy due in April will be waived to ease the labour costs of such firms during these four weeks. This will reduce their cost and relieve the pressures on their cash flow.

There will also be a Foreign Worker Levy Rebate of \$750 for each work permit or S Pass holder, based on previous levies paid in 2020. This is to help firms preserve their business structure and quickly resume operations. Employers will receive the rebate as early as April 21.

## **MORE SUPPORT FOR FIRM'S FINANCING ISSUES**

To provide additional support on credit, financing support for enterprises will be further enhanced so that viable businesses can continue to have access to credit despite the uncertainty.

Government's risk share of loans made under the Temporary Bridging Loan Programme, the Enterprise Financing Scheme – SME Working Capital Loan, and Enterprise Financing Scheme – Trade Loan will be increased from 80% to 90% for loans initiated from 8 April 2020 till 31 March 2021.

## **SUPPORT FOR SELF-EMPLOYED PERSONS TO BE BROADENED**

With the following enhancements, a total of about 100,000 self-employed persons will automatically be eligible for the Self-Employed Persons Income Relief Scheme (SIRS), and will receive three payments of \$3,000, starting from next month.

- SIRS will be extended to automatically include self-employed persons who also earn a small income from employment work.
- Current Annual Value threshold to be raised from up to \$13,000 to up to \$21,000, to include those who live in some condominiums and other private properties.

The other criteria remain unchanged.

In the spirit of tripartism, NTUC Secretary-General Ng Chee Meng has also agreed to step up and help administer the application and appeals for SIRS, and support self-employed persons in need.

## **TIMELY SUPPORT FOR HOUSEHOLDS**

All adult Singaporeans aged 21 and above will receive a one-off Solidarity Payment of \$600 in cash by April 14 for those who have provided their bank account details to the Government. The rest will receive the payment by cheque, to be issued in stages later, starting from April 30.

The \$600 comprises of the new \$300 payout, and \$300 brought forward from Care and Support – Cash, which was originally to be paid out from August 2020.

Other cash payouts under Care and Support Package to be brought forward

Other cash payouts under the Care and Support Package, which were earlier announced, will be brought forward to June, instead of August. These include:

- The remaining \$300 or \$600 from the higher tiers of the Care and Support – Cash payout,
- The additional \$300 payout for each parent with at least one child aged 20 and below, and
- The \$100 PASSion Card top-up, which will be given in cash, for Singaporeans aged 50 and above.

## CONCLUSION

The Solidarity Budget, in essence, supplements and expands the Resilience Budget that was announced less than two weeks ago.

The most significant parts of the Solidarity Budget are assistance schemes that would strengthen the job security of employees and the self-employed in Singapore. The measures include the Jobs Support Scheme and the Self-Employed Person (SEP) Income Relief Scheme.

By keeping the unemployment rate low, the risks of property foreclosures due to the borrowers unable to meet their mortgage obligations would also be lowered. In past major economic downturns, foreclosed properties that were subsequently sold at lower prices contributed to downwards pressure on real estate price trends.

Furthermore, the weak employment market would also suppress real estate demand and values in a few ways. Firstly, most potential buyers are unlikely to invest in real estate or upgrade to a more expensive home if their job securities are in question.

Secondly, credit for real estate would be tightened as the banks would become more stringent in granting mortgages.

Therefore, the Solidarity Budget, together with the Resilience Budget, could soften the adverse impact of the Covid-19 outbreak on the real estate market.

Source: Ministry of Finance, The Straits Times

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