

## Re-Align Framework

### Introduction

The COVID-19 pandemic has had a significant impact on businesses. Despite social and economic activities having partially resumed in Singapore, small and micro enterprises continue to remain vulnerable. In light of this, the Ministry of Law has proposed amendments to the COVID-19 (Temporary Measures) Act 2020 by way of the Re-Align Framework. The Re-Align Framework seeks to provide a quick and fair way to enable such small and micro enterprises to renegotiate selected types of commercial contracts with their counterparties, in order to realign with current economic conditions and business objectives.

### Who is eligible?

There are two key criteria to identify eligible businesses:

1. The business must fall within an annual revenue cap; and
2. The business must have experienced a significant fall in revenue as compared to the pre-COVID-19 timeframe.

### Covered contracts

The framework only covers selected business-to-business contracts. It will only apply to contracts that:

1. Are governed by Singapore law;
2. Were entered into before 25 March 2020;
3. Have at least one party with a place of business in Singapore; and
4. Fall within the following categories:
  - a. Leases or licenses for non-residential immovable property;
  - b. Hire purchase and conditional sale agreements for commercial sale equipment;
  - c. Rental agreements for commercial equipment;
  - d. Contract for sale and purchase of goods; and
  - e. Contracts for sale and purchase of services.

### Excluded contracts

The following contracts are excluded from the relief measures:

1. Consumer contracts;
2. Employment contracts;
3. Insurance contracts; and
4. Leases or licences for a non-residential immovable property for a term exceeding 5 years.

### Relief measures

A contractual party who wishes to renegotiate or terminate a contract must serve the relevant notice on the counterparty to the contract. This must be done within 6 weeks of the commencement of the Re-Align Framework.

Parties are required to enter into renegotiations. Only if the parties are unable to renegotiate successfully will they be able to terminate with fair and just consequences for both parties. If there are disagreements on liabilities on termination, an Assessor will be appointed by the Ministry of Law to make a determination on the issues.

For certain types of contracts, such as hire-purchase agreements, conditional sale agreements and lease agreements for commercial equipment, parties may, instead of terminating, elect to pay outstanding arrears accumulated during a specified period in equal instalments over a period of 18 months.

It should be noted that if the counterparty to the contract is acting unreasonably, the Government is unable to intervene and negotiate the contract on the other party's behalf. In such circumstances, mediation may be considered instead.

*Should you have any queries as to how this update may affect you or your organisation or require further information, please do not hesitate to email us.*



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*This article is intended to discuss the proposed Re-Align Framework in Singapore, and it is not intended to be comprehensive nor should it be construed as legal advice. This article is updated as of 10 November 2020.*

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