

# Bill proposes relief from contractual obligations affected by Covid-19

If passed in Parliament, the proposed Act would protect individuals and businesses unable to meet contractual obligations because of the Covid-19 pandemic. Here's how it works.

## CATEGORIES OF CONTRACTS COVERED BY THE BILL

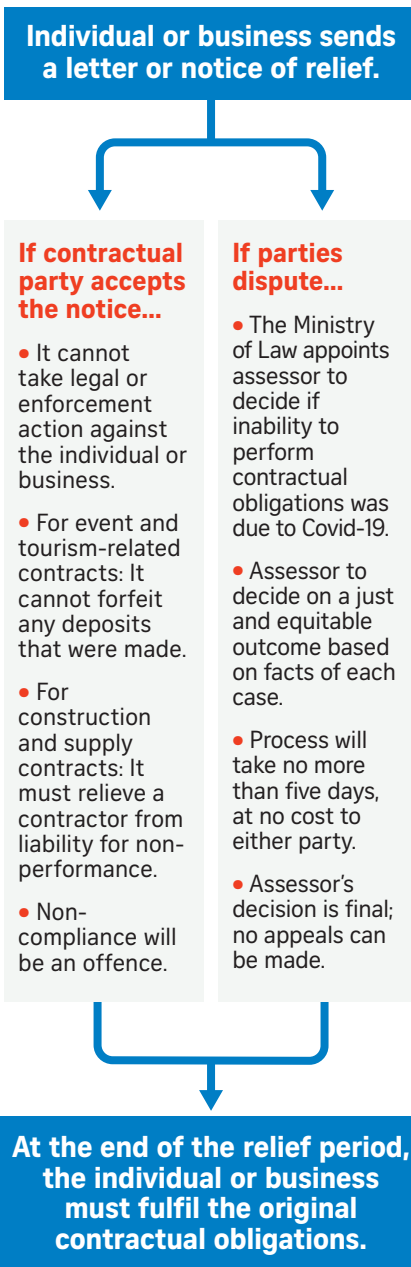
- ✓ Leases or licences for non-residential immovable property (e.g. factory premises)
- ✓ Construction or supply contracts (e.g. contract for the supply of materials)
- ✓ Event contracts involving the provision of goods and services (e.g. venue or catering for weddings, business meetings)
- ✓ Tourism-related contracts (e.g. hotel accommodation bookings)
- ✓ Certain secured loan facilities granted by a bank or a finance company to SMEs

NOTE: These include contracts which the Government is a party to.

## PROPOSED RELIEF PERIOD

- ✓ Covers obligations to be performed on or after Feb 1, 2020
- ✓ Excludes contracts entered into on or after March 25, 2020
- ✓ Would last six months from the commencement of the Act
- ✓ May be extended for up to a year from the commencement of the Act

## HOW THE PROCESS WOULD WORK



## CASE STUDIES



### Restaurant experiencing a decline in revenue due to fewer customers from Covid-19

- After paying workers' salaries, the restaurant cannot afford to pay rent for the months of February and March.
- Landlord issues letter of demand for unpaid rent and threatens eviction.
- With the Bill, the restaurant tenant can seek relief from assessors. If granted, it will be a criminal offence for the landlord to do the following during the six-month relief period:
  - Terminate the restaurant's lease.
  - Repossess the restaurant's premises.
  - Start or continue court or insolvency proceedings against the restaurant.



### Couple who placed a deposit with a hotel as a wedding venue

- Seeing the worsening Covid-19 situation, they decide to postpone the wedding.
- Hotel tells the couple that their deposit will be forfeited if they do not hold the wedding within three months.
- With the Bill, the couple can apply for relief. If granted, the hotel must restore the deposit.
- If hotel believes it has grounds for forfeiture, it can state its position to the assessor, who will decide on the outcome. For instance:
  - The hotel may be required to return the deposit or part of it to the couple, setting off expenses reasonably incurred by the hotel.
  - The hotel may be required to hold the deposit, if the couple decides to postpone the wedding.
  - The hotel may proceed to forfeit the deposit or part of it, if the couple decides to cancel the booking and go to another hotel.