

**BRIEFING NOTE**

**Managing the Impact of COVID-19 – Key Features of the Re-Align Framework**

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**Introduction**

As the coronavirus accompanies us into the new year, many businesses remain significantly impacted by the pandemic. To help such businesses cope with the challenges ahead, the COVID-19 (Temporary Measures) Act (“**C19TMA**”) was amended to introduce a framework for the renegotiation of contracts (the “**Re-Align Framework**”).

Introduced under Part 10 of the C19TMA, the Re-Align Framework enables businesses to realign their contracts with current business conditions. We discuss the key features below.

**What are the Eligible Businesses and Contracts?**

An eligible business is one who: (a) has an annual revenue of no more than S\$ 30 million; and (b) has experienced a 70% fall in monthly average gross income for July to December 2020 (as compared to July to December 2019).

An eligible contract is one which fulfils the following conditions:

- (a) governed by Singapore law;
- (b) entered into before 25 March 2020;
- (c) was not terminated before 2 November 2020;
- (d) has at least one party with a place of business in Singapore; and
- (e) is a: (i) lease or licence for non-residential immovable property of less than five years’ term; (ii) hire-purchase or conditional sales agreement for commercial equipment or vehicles (other than with a licensed bank or finance company); (iii) rental agreement for commercial equipment or vehicles; or (iv) contract for supply of goods and services.

Eligible business should note that an eligible contract may be excluded if they are, *inter alia*, consumer contracts, employment contracts, insurance contracts, construction and supply contracts, contracts for carriage of goods for freight, or contracts of national interest.

The Re-Align Framework facilitates renegotiation of eligible contracts. Should renegotiation be unsuccessful, eligible contracts may be terminated and eligible businesses may be exempted from future contractual obligations.

### **What are the Steps for Seeking Relief?**

Notice of Negotiation. Between 15 January 2021 and 26 February 2021, eligible businesses looking to renegotiate eligible contracts should serve a Notice of Negotiation, accompanied by supporting documents to establish fulfilment of the eligibility criteria, on the other party.

Negotiation Period. Upon service of the Notice of Negotiation, both parties have four weeks to seek a mutually acceptable solution to realign the eligible contract. During this Negotiation Period, if the eligible business fails to perform any contractual obligation, the other party must not take legal and enforcement actions for such non-performance.

If negotiations are successful, parties should then amend or terminate the eligible contract.

Objection Period. If negotiations are unsuccessful, the other party has two weeks to object to the: (a) eligibility of the business or the contract; or (b) improper service of the Notice of Negotiation. Should no objection be filed, the eligible contract will be terminated after the Objection Period. Should an objection be filed, an Accessor will determine the objection.

Notice for Adjustment. If the eligible contract is terminated because no objection is made, parties are required to agree on the obligations upon termination. Should no agreement be achieved, either party has two weeks to lodge a Notice for Adjustment for an Accessor to determine the rights and obligations of the parties pursuant to the termination.

### **Summary**

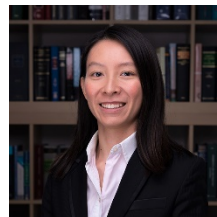
The pandemic has no doubt affected many sectors of the economy. Our team of lawyers has been assisting businesses to manage the legal consequences arising from the disruption brought about by the pandemic. Should you require assistance with managing the rights and obligations of commercial contracts, please feel free to reach out to any member of our team.

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