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In Singapore, laws are necessary for trickle-down policies to work

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FILE PHOTO: An office worker wearing a protective face mask, on the first day of "circuit breaker" measures to curb the coronavirus outbreak (COVID-19) in Singapore on Apr 7, 2020.
REUTERS/Edgar Su/File Photo

At one level, the unprecedented three-in-one Unity, Resilience, and Solidarity Budgets demonstrate the resolve of Singapore to ensure businesses and households are helped amid the public health concerns and the economic fallout of the COVID-19 global pandemic.

But fiscal resolve alone is not enough. Everyone must play his part. If it's every person for himself, then we will all be worse off for it.

Unfortunately we have already seen some examples of this self-seeking behaviour. Besides being socially undesirable, such behaviour also undermines policies and measures that are targeted at a macro-level but intended to trickle down to all levels of society.

LANDLORDS "CAPTURING RENT"

For instance, in the Unity Budget unveiled on Feb 18, a S\$4 billion Stabilisation and Support Package was created for businesses and workers affected by the evolving COVID-19 situation.

Measures include a 15 per cent property tax rebate for commercial properties, and a half-month rent waiver for tenants under government agencies. Flexible rental payments for tenants and lessees under the JTC Corporation, Housing and Development Board, Singapore Land Authority, Singapore Tourism Board, and Sentosa Development Corporation were also announced.

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Landlords were expected to pass on these property tax rebates to tenants in the form of rental reductions to help them tide over this challenging business environment. However, some landlords opportunistically sought to “profit” from the incentives and did not pass on the savings.

The Resilience Budget on Mar 26 provided an enhancement of the property tax rebate through a larger tax rebate and by covering more properties so some qualifying commercial properties will pay no property tax this year, while others will see a rebate of as much as 30 per cent.



In Parliament on Thursday (Mar 26), Deputy Prime Minister and Finance Minister Heng Swee Keat lays out the Resilience Budget to help Singapore tide over the COVID-19 pandemic.

The socially responsible landlords duly and promptly passed on the tax rebates to their tenants with no strings attached. Some even went on to reduce rentals by an amount that is greater than the rebates given.

For example, retail, food & beverage and service outlets at Changi Airport received a 50 per cent rental rebate for six months effective from Feb 1. The 50 per cent rebate for stores is on top of automatic rental offset tied to passenger movements at the airport, which all stores will receive as part of their tenancy agreements.

TRICKLE DOWN OUTCOMES DID NOT MATERIALISE

But a good number of landlords dragged their feet even as tenants suffered.

The Government sought to nudge landlords to do the right thing. For example, Trade and Industry Minister Chan Chun Sing in early March gently urged landlords and tenants to work together.

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He said: "... both sides must see each other as long-term partners. Both sides cannot take a short-term perspective in this. The spirit must be that in good times we share the benefits, in tough times, we share the pain. If both the landlord and tenant can work together then we are much nearer to a solution".

Since no two tenancy agreements are alike even within a commercial property, the government initially thought that a non-prescriptive approach was best: Leave it to the parties to work out a fair deal.

Unfortunately, that proved to be idealistic. Initially, Singapore's economic agencies such as Enterprise Singapore tried to bring the tenants and the landlords together and work out how they could share the rebates, especially if 100 per cent is passed on to them.

The intent was to arrive at a long-term solution. This move did not go very far.

As a result, the Government has on Apr 7 urgently passed new legislation, the COVID-19 (Temporary Measures), to require landlords to pass on, in full, to their tenants the property tax rebates.

To deal with foot-dragging by some landlords who had promised to pass on tax rebates, the new law provides a prescribed timeline for the transfer of the benefit.



The Government has now proposed new legislation to require landlords to pass on, in full, to their tenants the property tax rebates. (Photo: Cindy Co).

It will also prohibit landlords from imposing conditions on their tenants when passing on the property tax rebates. Property owners who fail to fully pass on property tax rebates unconditionally to their tenants "without reasonable excuse" will be guilty of an offence.

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A Valuation Review Panel will be set up to adjudicate disputes pertaining to the property tax rebates between property owners and tenants.

EMPLOYERS RELUCTANT TO PLAY THEIR PART

Another example of individualistic behaviour we have seen is of some companies not playing their part in reducing the risk of COVID-19 infections as they remained reluctant to implement safe distancing measures at work and have their staff telecommute.

Some employers argue that it was unproductive to have their employees working from homes. Some were nonchalant about their workplaces being potential sites of infection transmission.

At the start of this month, of the more than 850 workplaces inspected by the Ministry of Manpower, 129 stop-work orders as well as 260 remedial orders were served on companies in a bid to enforce safe distancing at workplaces. More than half of the orders served involved companies having to improve work-from-home arrangements.

Despite various reminders by the Government, it had to enact legislation.

The Infectious Diseases (Workplace Measures to Prevent Spread of COVID-19) Regulations 2020 was enacted on Apr 1 to compel employers to implement telecommuting.

This was followed by Prime Minister Lee Hsien Loong announcing a series of more stringent “circuit breaker” measures to the nation on Apr 3, which included requiring all employers engaged in non-essential services to have their staff work from home for a month.

Movement control measures are also in place, including refusing employees entry to the workplaces.

Given the very serious public health threat posed by the COVID-19 disease, it is worrying that the use of the legislative compulsion is deemed necessary to compel employers to implement safe distancing and telecommuting at work.

LAWS HAVE THEIR LIMITATIONS TOO

From both of these examples, it is not always the case that well-intended policies and measures trickle down to its intended recipients or objectives. As such, legislation and rules have to be introduced to help ensure that these policies reach achieve their aims.

Legislation can however be a blunt tool as the law sets only the minimum standard of behaviour expected.

As legislative fiats are not completely effective in inculcating desired norms and behaviour and preventing opportunistic behaviour, the challenge going forward is to better engender cooperation among stakeholders in such challenging times.

Even when the pandemic is over, economic recovery will take a longer time. We will get over the hump faster and better if there is deeper and better cooperation.

The laws mentioned above seek to set out what constitutes appropriate behaviour. It will elicit outward compliance to the extent that the landlord or employer does not want to be penalised under the law.

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However, meaningful compliance requires relevant parties to imbibe internal compliance. In other words, besides using the law as a carrot-and-stick device, stakeholders should internalise the desired norms and an appreciation of the wider societal outcomes that the budgetary measures seek to uphold and promote.

INTERNALISING NORMS IS IMPORTANT

Given the practical limits to policing and prosecution, such an internally driven mode of compliance could be far more effective.



Despite various reminders by the Government, it had to enact legislation on Apr 1 to compel employers to implement telecommuting. (Photo: Pexels)

For instance, drink-driving attracts severe penalties but yet in 2018 we still saw more than 2,000 drink-driving related cases in Singapore.

Emphasising the moral callousness and culpability and the negative repercussions of such drink driving can help complement compliance since there are limits to enforcement. Here, moral suasion provides an additional layer of deterrence and informal sanctions on violators.

The use of laws to make certain conduct mandatory also imposes additional costs.

While the property tax rebates were meant to help both landlords and tenants and have them work together to see out a difficult period by cooperating, there will now be compliance and enforcement costs, mostly borne by the Government.

Even as we speak of chains of infection in this COVID-19 outbreak, all the more must we build bonds of cooperation and solidarity.

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For instance, tenants must endeavour to use the rental reductions and other financial assistance provided in the various Budgets to retain as many of their staff as possible. Protecting jobs and livelihoods is one of the key objectives of the three massive assistance packages unveiled in rapid succession.

We will need shared norms for how business is to operate and their social responsibilities - in good times and in bad times. Otherwise, businesses may face the prospects of more legislation curtailing how business operates.

When the pandemic is over, can we look back on this extraordinary time and remember it as one where we all worked together in the larger interest? Can we think of others first and act with a sense of responsibility and decency?

Unless, we as a society want to send a damning signal that we cannot be trusted upon to do the right thing – to think of wider benefit – and that only laws and rules can influence us to effect positive but unsustainable behavioural outcomes.

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