

19 May 2020

To: All firms registered in BCA's Contractors Registration System (CRS)

Circular on One-off Advance Payment for Public Sector Construction Contracts Affected by the Extended Circuit Breaker (from 5 May 2020 to 1 Jun 2020)

This circular informs all contractors registered in CRS and PSPC on the one-off advance payment (AP) for public sector construction contracts affected by the Extended Circuit Breaker (from 5 May 2020 to 1 Jun 2020).

2 BCA issued an advisory on 7 Apr 2020 to inform contractors that government agencies will make a one-off AP, on ex-gratia basis, to the main contractors for affected public sector construction contracts during the Circuit Breaker period from 7 Apr 2020 to 4 May 2020. As the Circuit Breaker has been extended to 1 Jun 2020, BCA issued an advisory on 2 May 2020 to inform the Built Environment sector that non-essential construction works must continue to cease until 1 Jun 2020. As such, most public sector construction projects will stop until 1 Jun 2020 and contractors in these projects would not receive any progress payment from 5 May 2020 to 1 Jun 2020 ("Extended Circuit Breaker period"). In view of the potential cashflow impact to the main contractors, subcontractors and suppliers involved in public sector construction projects which could affect subsequent resumption of public sector projects after the Extended Circuit Breaker period, **government agencies shall provide a one-off AP on ex-gratia basis for the Extended Circuit Breaker period for public sector construction contracts.**

3 Similar to the first tranche of AP covering the Circuit Breaker period from 7 Apr 2020 to 4 May 2020, **the amount of AP covering the Extended Circuit Breaker period can be calculated based on (i) AP amount based on the AP amount certified in April or (ii) 50% of the average monthly payment based on past 3 most recent certified monthly payments, if no AP was certified in April 2020.** The specific quantum of AP may vary from project to project, depending on the stage of the project and the remaining contract duration and remaining payment that may become payable. **The AP quantum for the Extended Circuit Breaker shall be capped at 2.5% of the awarded contract sum or \$5mil, whichever is lower.** Contracts that have been terminated for default shall not be eligible for the AP.

Claim and payment process

4 Similar to the first tranche, **the main contractor is required to provide the following** either in their regular progress payment claim or as a standalone payment claim that shall be submitted to their respective government agency from the date of this Circular to **8 Jun 2020**¹:

- i) a list of its first-level subcontractors or suppliers involved in the works originally scheduled during the Extended Circuit Breaker period;
- ii) the amount of AP to claim; and
- iii) the amount of AP to be retained by the main contractor and passed down to each first-level subcontractors and suppliers, where relevant.

¹ Main contractors shall not include claims for the first tranche of AP (i.e. from the period 7 Apr 2020 to 4 May 2020) in this claim. GST is not applicable for APs which are given in advance with no work done and do not constitute consideration received for the supply of construction services provided by the contractors at the point of receipt.

5 **Main contractors are not expected to pass down to their subcontractors or suppliers more than what they have received for the AP from the government agency in the respective contract.** However, if the main contractor proposes a small portion of AP to be passed down to its subcontractors or suppliers despite their involvement in the original scheduled works, the main contractor may be asked to adjust the portion of AP to be passed down to its subcontractors and suppliers. As MOF has waived the requirement for main contractor to submit a security deposit (SD) to government agencies for the AP, likewise, main contractors should avoid requesting for SD from their subcontractors and suppliers for the AP. However, main contractors have the discretion to request subcontractors and suppliers to submit AP guarantee (in the form of banker or insurance guarantee) from subcontractors or suppliers receiving AP of at least \$500,000.

Consequence of failure to pass down advance payment

6 Within 14 days from the receipt of the Payment Certificate for the AP from the government agency, the main contractor shall submit to the government agency its own Payment Responses issued to subcontractors or suppliers, as proof of passing down the AP to its subcontractors or suppliers. The main contractor shall also indicate to the government agency the amounts and nature of other payments (e.g. expenses on security or vector control) made during the Extended Circuit Breaker Period. **Where a main contractor fails to pass on the AP to its subcontractors or suppliers, the AP shall be recovered in full in the next progress payment. The main contractor's performance assessment in the project C41 report may also be accorded a "Poor" rating by the government agencies.**


7 **Subcontractors or suppliers are similarly expected to pass down a portion of the AP received from the main contractor to relevant subcontractors or suppliers engaged by them.** As both main contractors and first-level subcontractors/suppliers in public sector projects are required to be registered in BCA's CRS, **BCA may review the CRS registration of the CRS registered contractor if BCA receives any feedback on the contractor failing to pass down the AP received.**

Recovery of advance payment

8 **The combined AP provided in both tranches shall be recovered in nine (9) equal monthly instalments** or shorter quantum depending on the stage of the project and the remaining contract duration and remaining payment that may become payable. The AP can be recovered by deducting the instalment sum from subsequent progress payments or other modes of recovery. The AP recovery shall **start two (2) months after the works for the construction project resume.** Main contractors should apply the same for recovery from subcontractors and suppliers. Projects with shorter remaining contract period will see the recovery of AP in lesser number of instalments.

9 For any clarifications, you may email to BCA_PPD@bca.gov.sg.

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Annex - FAQ for One-off Advance Payment for Public Sector Construction Contracts Affected by the Suspension of Activities at Workplaces due to COVID-19 

(Transmitted via email)