

15 July 2020

ISCA Financial Reporting Bulletin 6 (Revised)

FRB 6 (Revised):

COVID-19 Government Relief Measures:
Accounting for the grant provided by the
Singapore Government for wages paid to
local employees under the Jobs Support
Scheme

*Revised to incorporate enhancements made to the
Jobs Support Scheme (JSS) as announced in the Fortitude Budget
on 26 May 2020*

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Note:

- ***This FRB has been updated from FRB 6 (issued on 7 May 2020) for the following developments:***
 - ***enhancements made to the Jobs Support Scheme (JSS) as announced in the Fortitude Budget on 26 May 2020. The enhancements include increasing the duration of JSS payouts to ten months for all firms, providing 75% wage support to firms that cannot resume operations immediately after the circuit breaker until August 2020 or when they are allowed to re-open; and refining the classification of firms in the different JSS tiers.***
 - ***reminder on IRAS' JSS website regarding the purpose of the JSS payouts and that employers must act responsibly and fairly during the circuit breaker period.***

It is important to note that there is no change to the views and guidance (from that shared in FRB 6 issued on 7 May 2020) as a result of the above developments.

- *Although this FRB makes references to SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) 1-20 Accounting for Government Grants and Disclosure of Government Assistance, the guidance in this FRB is also applicable to entities applying FRS 1 Presentation of Financial Statements and FRS 20 Accounting for Government Grants and Disclosure of Government Assistance.*
- *The fact pattern and the example presented in this FRB for an entity with a 31 March financial reporting period-end are purely illustrative in nature. The amount of grant to be received under the Jobs Support Scheme is dependent on the facts and circumstances of the entity.*
- *The FRB is based on publicly available information as of 14 July 2020.*

Background

The Jobs Support Scheme¹ (“JSS”) was announced at the Budget 2020 (the “Unity Budget”) on 18 February 2020. The purpose of the JSS is to provide wage support to employers to help them retain their local employees (Singapore Citizens and Permanent Residents) during this period of economic uncertainty. Employers who have made CPF contributions for their local employees will qualify for the payouts under JSS.

The JSS was enhanced subsequently in the three supplementary budgets (the “Resilience Budget”, the “Solidarity Budget” and the “Fortitude Budget”) announced on 26 March 2020, 6 April 2020 and 26 May 2020 respectively. The Singapore Government will co-fund the wages of local employees for ten months.

The summary of the JSS and its subsequent enhancements are as follows:

Unity Budget	Resilience Budget	Solidarity Budget	Fortitude Budget
18 February 2020	26 March 2020	6 April 2020	26 May 2020
Employers will receive an <u>8%</u> cash grant on the gross monthly wages of each local employee (applicable to Singapore Citizens and Permanent Residents only) for <u>3 months computed based on October 2019 to December 2019 monthly wages</u> , subject to a monthly wage cap of <u>\$3,600</u> per employee.	<p>The JSS has been enhanced as follows: Employers will receive a <u>25%*</u> cash grant on the gross monthly wages of each local employee (applicable to Singapore Citizens and Permanent Residents only) for <u>9 months</u> computed based on October 2019 to July 2020 (exclude January 2020) monthly wages, subject to a monthly wage cap of <u>\$4,600</u> per employee.</p> <p>* 75% for companies in the Aviation and Tourism sector; 50% for companies in the Food Services sector.</p>	<p>The JSS payout for wages in <u>April 2020</u> has been increased to <u>75%</u> for all companies.</p> <p>The first tranche of JSS payout is brought forward from May 2020 to April 2020.</p>	<p>The JSS payout for wages in <u>May 2020</u> has been increased to <u>75%</u> for all companies (as previously announced at the Multi-Ministry Taskforce Press Conference on 21 April 2020²).</p> <p>The JSS has been enhanced to provide wage support for <u>10 months</u> computed based on October 2019 to August 2020 (exclude January 2020) monthly wages, subject to a monthly wage cap of \$4,600 per employee.</p> <p>As circuit breaker measures are gradually eased, employers not yet allowed to resume operations will continue to receive 75% wage support, during the period</p>

¹ Details of the JSS on IRAS’ website:

<https://www.iras.gov.sg/irashome/Schemes/Businesses/Jobs-Support-Scheme--JSS-/>

² MOF press release on enhancement to JSS on 21 April 2020:

https://www.sgpc.gov.sg/sgpcmedia/media_releases/mof/press_release/P-20200421-1/attachment/Support%20Measures%20for%20Extended%20Circuit%20Breaker.pdf

			<p>for which they are not allowed to resume operations, or until August 2020, whichever is earlier.</p> <p>Refinement of the classification of firms in the different JSS tiers; the level of wage support for firms in sectors that are more severely impacted is increased from the previous 25% to either 75% or 50%.</p>
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The summary of the timing of payouts³ are as follows:

Payout	When will firm receive the pay-out?	JSS will cover wages paid in:	Wages will be derived based on CPF contributions paid by:
1st payout	Apr 2020	<ul style="list-style-type: none"> Oct 2019 x 75%; <i>(of which 50% (in absolute) is an advance recoverable in Jul 2020)</i> Nov 2019 x 25%; and Dec 2019 x 25% 	14 Feb 2020
Additional payout	May 2020	<ul style="list-style-type: none"> Nov 2019 x 75% <i>(the entire amount is an advance recoverable in Oct 2020)</i> 	14 Feb 2020
2nd payout	Jul 2020	<ul style="list-style-type: none"> Feb 2020 x 25%; Mar 2020 x 25%; and Apr 2020 x 75%; <p>Less: Oct 2019 x 50% <i>(advance given in Apr 2020)</i></p>	31 May 2020
3rd payout	Oct 2020	<ul style="list-style-type: none"> May 2020 x 75%; Jun 2020 x 25%; Jul 2020 x 25%; and Aug 2020 x 25% <p>Less: Nov 2019 x 75% <i>(advance given in May 2020)</i></p>	14 Sep 2020

³ FAQ 2

<https://www.iras.gov.sg/irashome/Schemes/Businesses/Jobs-Support-Scheme--JSS-/>

IRAS has also issued the following FAQ⁴ on its website on 4 May 2020 to clarify the period over which the JSS grant is intended to compensate.

Q: When should JSS payouts be recognised as income in my accounts?

A: JSS is meant to provide wage support to employers to help them retain their local employees (Singapore Citizens and Permanent Residents) during the period of economic uncertainty. While the payouts are calculated with reference to wages paid in certain months, they are meant to support businesses during the period in which the payouts are received.

The Unity Budget⁵ states that the JSS is a temporary scheme for 2020. This is reinforced in the Resilience Budget⁶ which states that the JSS is provided until the end of 2020. The Fortitude Budget⁷ subsequently states that the JSS will support wage costs for ten months, instead of the nine months which was announced in the Resilience Budget.

As stated on [IRAS' webpage on JSS](#), "JSS payouts are intended to offset and protect local employees' wages. Employers must act responsibly and fairly, taking reference from the tripartite advisory on salary and leave arrangements during the circuit breaker period. Where there is evidence of irresponsible and unfair treatment, employers may be denied employment support (including JSS) and have their work pass privileges curtailed. Please refer to MOM's advisory on [Salary and Leave Arrangements](#)."

Scope of this FRB

This FRB provides accounting guidance and key considerations on how to account for the JSS payouts receivable by employers under the Singapore Government JSS announced under the Unity Budget on 18 February 2020, and subsequently enhanced in the three supplementary budgets (the "Resilience Budget", the "Solidarity Budget" and the "Fortitude Budget") on 26 March 2020, 6 April 2020 and 26 May 2020 respectively.

An illustrative example has also been included to aid in the understanding of the principles being applied.

⁴ FAQ 1

[\[https://www.iras.gov.sg/irashome/Schemes/Businesses/Jobs-Support-Scheme--JSS-/\]](https://www.iras.gov.sg/irashome/Schemes/Businesses/Jobs-Support-Scheme--JSS-/)

⁵ Paragraph I-1 of Annex A-1: Stabilisation and Support Package

[\[https://www.singaporebudget.gov.sg/docs/default-source/budget_2020/download/pdf/annexa1.pdf\]](https://www.singaporebudget.gov.sg/docs/default-source/budget_2020/download/pdf/annexa1.pdf)

⁶ Paragraph B12(b)(iii) of Supplementary Budget Statement

[\[https://www.singaporebudget.gov.sg/budget_2020/resilience-budget/supplementary-budget-statement#t2\]](https://www.singaporebudget.gov.sg/budget_2020/resilience-budget/supplementary-budget-statement#t2)

⁷ Paragraph B14 of the Fortitude Budget Statement

[\[https://www.singaporebudget.gov.sg/budget_2020/fortitude-budget/fortitude-budget-statement\]](https://www.singaporebudget.gov.sg/budget_2020/fortitude-budget/fortitude-budget-statement)

1. Do the payouts receivable under the JSS meet the definition of government grants?

The FAQ issued by IRAS clarified that the JSS is meant to provide wage support to employers to help them retain their local employees (Singapore Citizens and Permanent Residents) during the period of economic uncertainty. While the payouts are calculated with reference to wages paid in certain months, they are meant to support businesses during the period in which the payouts are received.

Given that the JSS is a cash grant from the Singapore Government, it qualifies as a government grant because there is a transfer of resources from the Singapore Government to entities in return for meeting the stipulated conditions related to the operating activities of the entity and there is no service or goods provided back to the Singapore Government by the entities. Therefore, SFRS(I) 1-20 *Accounting for Government Grants and Disclosures of Government Assistance* should be applied in accounting for the JSS.

2. How does the employer account for the JSS payouts receivable under the JSS in its financial statements?

Recognition:

Paragraph 7 of SFRS(I) 1-20 states that an entity shall not recognise government grants until there is reasonable assurance that it will comply with the conditions attached to them and the grants will be received.

The budget was first announced in the month of February 2020. Subsequently in the months of March 2020 and April 2020, additional JSS payouts were announced.

The conditions for the JSS payout are that the entity is required to pay salaries to local employees for the period mentioned in the announcements, and that the related CPF contributions on those salaries have been paid. For information on the additional support by tiers (including the appeal process), please refer to the [IRAS' JSS website](#). This scheme is administered automatically without the need for application by the entity.

Accordingly, there is reasonable assurance that the grant conditions are satisfied when salaries and related CPF contributions are incurred by the employer, and a grant receivable is recognised. **The timing and manner in which the grant will be received should not affect the accounting for the grant.**

According to SFRS(I) 1-20 paragraph 12, the grant is recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grant is intended to compensate.

The following questions arise:

- What are the 'related costs' for which the JSS grant is intended to compensate?
- How should the JSS grant income be recognised by an entity? How about an entity with the financial reporting period ended 31 March 2020?

3. What are the 'related costs' for which the JSS grant is intended to compensate?

As stated in the Resilience Budget announced on 26 March 2020, the Singapore Government will co-fund the wages of local employees for nine months. In the Fortitude Budget announced on 26 May 2020, the Singapore Government will co-fund the wages of local employees for ten months (instead of nine months). The FAQ issued by IRAS clarified that the JSS is meant to provide wage support to employers to help them retain their local employees (Singapore Citizens and Permanent Residents) during the period of economic uncertainty. While the payouts are calculated with reference to wages paid in certain months, they are meant to support businesses during the period in which the payouts are received.

In ISCA's view, the 'related costs' for which the JSS grant is intended to compensate is the salary costs incurred by the entity during the ten months period of economic uncertainty till January 2021. Judgment is involved in determining the appropriate period. For most companies, the ten months period of economic uncertainty is likely to commence in April 2020. However, for some companies in the more affected sectors, the period of economic uncertainty may commence earlier.

4. How should the JSS grant income be recognised by an entity?

The stated purpose of the JSS is to provide ten months of wage support to entities to retain their local employees during the period of economic uncertainty till January 2021.

Recognition of grant income:

Paragraph 7 of SFRS(I) 1-20 states that an entity shall not recognise government grants until there is reasonable assurance that it will comply with the conditions attached to them and the grants will be received. Paragraph 12 of SFRS(I) 1-20 states that the grant is recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grant is intended to compensate.

Accordingly, there needs to be reasonable assurance that the entity will comply with the conditions relating to the JSS before the JSS grant income is recognised in the profit or loss. In situations where an entity has reduced the number of local employees or has plans to reduce the number of local employees, judgement needs to be applied in determining whether the conditions relating to the JSS have been fulfilled.

The recognition of the JSS grant income in the profit or loss should be on a systematic basis over the ten month period of economic uncertainty in which the entity recognises the related salary costs in the calendar years 2020 and 2021 (but not earlier than the date of the Unity Budget which was announced on 18 February 2020).

The determination of when the period of economic uncertainty commences and how the systematic basis is applied by the entity will be an accounting estimate. If the grant amount is material, disclosures under SFRS(I) 1-1 paragraph 125 on the assumptions made and SFRS(I) 1-20 paragraph 31 on the effects of the grant will be required.

Presentation and disclosures:

According to SFRS(I) 1-20 paragraph 29, the grant income can be presented either (1) separately as grant income or under “other income”; or (2) deducted against the salary costs.

Greater transparency will be achieved if the JSS grant income is presented as ‘grant income’ or under ‘other income’ in the financial statements, instead of as a deduction against the salary costs. Disclosure requirements of SFRS(I) 1-20 should also be considered⁸.

How should the JSS grant income be recognised by an entity with a financial reporting period ended 31 March 2020?

Although some entities such as those in the aviation and tourism sector may have been impacted by the COVID-19 pandemic in March 2020 or earlier, most entities are likely to have only been significantly impacted from April 2020, following the circuit-breaker measures which took effect on 7 April 2020.

In ISCA’s view, the JSS grant should be recognised as a grant income, on a systematic basis, over the estimated ten months period of economic uncertainty till January 2021 in which the entity recognises the related salary costs.

To illustrate, consider the following example:

Fact pattern

- Entity A has one local employee who is paid a gross monthly wage of \$4,600 from October 2019 to January 2021
- Entity A is eligible for 25% wage support under the JSS, except for April and May 2020 for which Entity A is entitled to 75% wage support
- Entity A’s financial reporting period-end is 31 March 2020
- Entity A is significantly impacted from April 2020 onwards following the circuit-breaker measures.
- Entity A is allowed to resume operations on 2 June 2020
- Entity A does not reduce the number of local employee during the period from October 2019 to January 2021

⁸ SFRS(I) 1-20 paragraphs 31 and 39

For financial reporting period-end 31 March 2020

Month	Oct 2019	Nov 2019	Dec 2019	Feb 2020	Mar 2020*	Total
Salary cost incurred (\$)	4,600	4,600	4,600	4,600	4,600	23,000
JSS wage support	25%	25%	25%	25%	25%	
Computed JSS grant (\$) [JSS wage support% x \$4,600]	1,150	1,150	1,150	1,150	1,150	5,750
JSS grant income recognised in P/L (\$)	-	-	-	-	-	-
Grant receivable (\$)	-	-	-	864**	5,750	
Deferred grant income (\$)	-	-	-	864	5,750	

For the period ended 31 March 2020, Entity A recognises a grant receivable of \$5,750 and a corresponding deferred grant income of \$5,750, being the amount Entity A is entitled up to 31 March 2020. Grant income of \$Nil is recognised in the profit or loss as Entity A is only significantly impacted from April 2020 onwards.

*Although the CPF contribution for March 2020 is paid in April 2020, the entity is obliged to accrue for the CPF contribution as at 31 March 2020. Therefore, Entity A has fulfilled the requirements of SFRS(I) 1-20 paragraph 7 for recognition of the JSS grant receivable.

**This is calculated based on 8% cash grant on the gross monthly wages of each local employee (applicable to Singapore Citizens and Permanent Residents only) for the months of October 2019 to December 2019, and capped at monthly wage of \$3,600 per employee [as per the Unity Budget]. That is, 8% x \$3,600 x 3 months = \$864.

For financial reporting period-ending 31 March 2021

Month	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Total
Salary cost incurred (\$)	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	46,000
JSS wage support	75%	75%	25%***	25%	25%	-	-	-	-	-	
Computed JSS grant (\$) [JSS wage support% x \$4,600]	3,450	3,450	1,150	1,150	1,150	-	-	-	-	-	10,350
JSS grant income recognised in P/L (\$)	3,450	3,450	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	16,100
Grant receivable (\$)	3,450	3,450	4,600	2,300	3,450	3,450	-	-	-	-	
Deferred grant income (\$)	5,750	5,750	5,750	5,750	5,750	4,600	3,450	2,300	1,150	-	

***Entity A is allowed to resume its operations on 2 June 2020. Hence, it receives the base tier of support of 25%.

During the period from April 2020 to January 2021, Entity A recognises a credit to its profit or loss of \$16,100, being the amount Entity A is entitled over the period. The JSS grant income is recognised to the profit or loss on a systematic basis as determined by Entity A. Entity A determines that in April and May 2020, JSS grant income representing 75% of the actual salary costs (capped at \$4,600) is to be recognised in the profit or loss as the Singapore Government is co-funding 75% of the wages of local employees (capped at \$4,600) in the respective months due to the circuit breaker measures. For the other months, Entity A determines that JSS grant income representing 25% of the actual salary costs (capped at \$4,600) is to be recognised in the profit or loss as the Singapore Government is co-funding 25% of the wages of local employees.

Note: Grant receivable recognised at each month end is calculated based on the actual salary costs of local employees incurred in each month and is not based on the JSS grant paid out in April, May, July and October 2020. Deferred grant income is recognised as grant income in the P/L on a systematic basis over the months in which the related salary costs are recognised as expense as determined by Entity A in the table above.

Application:

Companies had to apply judgment in determining the appropriate accounting for the JSS grant and this FRB is intended to provide guidance for preparers in making that judgment. It is not intended to suggest that accounting judgments made prior to the issuance of the FRB are inappropriate or would need to change as a result of issuing this FRB.

For reference: ISCA Financial Reporting Codification Framework

In November 2019, ISCA issued the ISCA Financial Reporting Codification Framework (Framework). The Framework establishes a formalised categorisation, degrees of authority and a due process for future issuance of ISCA's technical documents. It provides credence to ISCA's technical content, promulgates ISCA's views on the application of accounting standards as well as promotes quality, consistency and best practices in financial reporting.

The Framework is summarised in the table below.

Category	Nature	Degree of authority	Due Process	Highest level of approval
1. Financial Reporting Practice (FRP)	Recommended best practices for financial reporting for specific industries, sectors or transactions	Expected to apply	Public consultation required	ISCA Council
2. Financial Reporting Guidance (FRG)	Technical guidance, views and insights on specific financial reporting issues for specific industries, sectors or transactions	Expected to follow or explain departures	Public consultation required	ISCA Financial Reporting Committee (FRC), with authority delegated by the ISCA Council
3. Financial Reporting Bulletin (FRB)	Technical bulletin containing discussions and highlight of emerging topical financial reporting issues	For information and educational purposes	Public consultation not required	ISCA FRC

For more details on the Framework and the guidance issued under the Framework, please refer to the following:

- Framework – <https://isca.org.sg/tkc/fr/financial-reporting-codification-framework/>
- FRG – <https://isca.org.sg/tkc/fr/financial-reporting-guidances/>
- FRB – <https://isca.org.sg/tkc/fr/financial-reporting-bulletins/>

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