

Latest property cooling measures



Changes to Additional Buyer's Stamp Duty (ABSD) and Additional Conveyance Duties for Buyers (ACDB) were announced on 5 July 2018 and took effect on 6 July 2018.

Overview

On 5 July 2018, the Singapore Government announced changes to the existing property cooling measures targeted at residential properties. These changes took effect on 6 July 2018.

Broadly, the measures include adjustments to the ABSD (and consequently, ACDB) rates as well as the Loan-To-Value limits on residential property purchases.

In this tax alert, we will focus on the ABSD and ACDB changes.

Additional Buyer's Stamp Duty (ABSD)

There is an increase in the ABSD rates and the new rates will apply to all residential properties acquired on and after 6 July 2018. Please refer to the table on the next page for the new ABSD rates.

For entities which are Non-Housing Developers, the ABSD has increased from 15% to 25%.

For entities which are Housing Developers, the ABSD rate on the acquisition of residential property has increased from 15% to 30% but they may apply for remission of 25% of the ABSD, subject to meeting the conditions.

This effectively means an ABSD rate of 5% for Housing Developers, provided they meet the conditions for the 25% remission. The 5% ABSD for housing developers is to be paid upfront upon purchase of the residential property.

Housing Developers, as defined in the legislative amendments further to the changes, include entities in the business of housing development (i.e. construction and sale of housing units) with respect to the subject property acquired.

Profile of buyer	ABSD rate from 12 Jan 2013 to 5 Jul 2018	ABSD rate on/ after 6 Jul 2018
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Entities*

Buying any residential property	15%	25%
		plus additional 5% for housing developers (non-remittable)

Singapore Citizens

Buying first residential property	N/A	N/A
Buying second residential property	7%	12%
Buying third and subsequent residential property	10%	15%

Singapore Permanent Residents

Buying first residential property	5%	5%
Buying second and subsequent residential property	10%	15%

Foreigners

Buying any residential property	15%	20%
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***Entity means a person who is not an individual. It includes the following:**

- An unincorporated association
- A trustee for a collective investment scheme when acting in that capacity
- A trustee-manager for a business trust when acting in that capacity
- The partners of the partnership whether or not any of them is an individual, where the property conveyed, transferred or assigned is to be held as partnership property.

Additional Conveyance Duty for Buyers (ACDB)

In line with the above changes to the ABSD regime, the ACDB rate has been increased and is now up to 34% with effect from 6 July 2018. There is no change to the Additional Conveyance Duty for sellers (ACDS) rate which remains at 12%. The new ACDB rates are as follows:

Date of execution	ACDB rate
On/after 20 Feb 2018	Up to 19%
On/after 6 Jul 2018	Up to 34%

The ACDB will apply in addition to the existing stamp duty of 0.2% of the acquisition price or market value of the shares acquired, whichever is higher. This effectively means that the total duty payable by a significant owner on a share deal involving a residential Property Holding Entity (PHE) will exceed the total duty payable on an outright asset deal involving a residential property.

ACDB calculation

The ACDB is imposed on the market value of the underlying residential properties held by the residential PHE at

- 1% on the first SGD180,000 (no change); and
- 2% on the next SGD180,000 (no change); and
- 3% on the next SGD640,000 (no change); and
- 4% on the amount exceeding SGD1,000,000 (no change); and
- 30% on the entire market value (increased from the previous rate of 15%).

pro-rated based on the % of equity interest acquired directly in a Type 1 PHE or indirectly in a Type 2 PHE.



Our Comments

The tightening of the cooling measures was announced on the back of a 9.1% price increase for the fourth straight quarter since the middle of last year. This steep price recovery threatened to reverse the market correction which took 15 quarters to achieve, where private residential property prices declined by 11.6% in the second quarter of last year.

The measures are deemed necessary by the Government as the sharp price increase could run ahead of economic fundamentals and heighten the risk of a major correction, in view of rising interest rates and strong property supply.

Unlike the previous rounds of property cooling measures, the latest measures not only target the investors making multiple residential property investments, but also the housing developers (which have been bidding aggressively for en-bloc and Government Land Sales sites) which are now required to pay a 5% ABSD which is non-remittable.



Overall, we are confident that the Government is monitoring the Singapore property market and stepping in to make timely and calibrated adjustments in order to maintain a stable and sustainable property market.

The increase in ABSD or ACDB rates, if applicable, would translate into higher costs in the purchase of Singapore residential property. In view of the additional taxes, developers and investors would need to factor in the additional costs and review their holding structures to ascertain the applicability of the higher costs.

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