
Corporate Real Estate

Government Increases Additional Buyer's Stamp Duty Rates to Promote a Sustainable Property Market

Introduction

On 26 April 2023, the Ministry of Finance, Ministry of National Development, and Monetary Authority of Singapore jointly announced in a press release the increase in Additional Buyer's Stamp Duty ("ABSD") rates to "*promote a sustainable property market*". The new measures have since taken effect from (and including) 27 April 2023.

The press release (which can be found [here](#)) noted that "*the implementation of the property market measures in December 2021 and September 2022 have had a moderating effect*". However, property prices have showed "*renewed signs of acceleration amid resilient demand*" in 1Q 2023. The press release also notes the "*renewed interest from local and foreign investors in our residential property market*" and concludes that "*if left unchecked, prices could run ahead of economic fundamentals, with the risk of a sustained increase in prices relative to incomes*".

The Government is raising the ABSD rates to "*pre-emptively manage investment demand*" and "*prioritise housing for owner-occupation*".

Based on 2022 data, the increase in ABSD rate is expected to affect about 10% of residential property transactions.

In this Update, we provide a summary of the key changes to ABSD rates in the new measures.

Contribution Note: This Client Update was written with contributions from Calvin Lim, Senior Associate, from Corporate Real Estate.

Client Update: Singapore

2023 APRIL

Corporate Real Estate

Increase in ABSD Rates for Residential Properties

New ABSD rates for residential properties

The new rates for Additional Buyers' Stamp Duty ("ABSD") are set out in the table below:

Profile of Buyer		ABSD rates from 16 December 2021 to 26 April 2023	ABSD rates on or after 27 April 2023
Singapore Citizens	Buying 1 st residential property	Not applicable	Not applicable (No change)
	Buying 2 nd residential property	17%	20%
	Buying 3 rd and subsequent residential property	25%	30%
Singapore Permanent Residents	Buying 1 st residential property	5%	5% (No change)
	Buying 2 nd residential property	25%	30%
	Buying 3 rd and subsequent residential property	30%	35%
Foreigners buying any residential property		30%	60%
Entities buying any residential property		35%	65%
Housing developers buying any residential property		35% (Developers may apply for remission of this ABSD, subject to conditions) Additional upfront non-remittable 5% ABSD for housing developers	35% (Developers may apply for remission of this ABSD, subject to conditions) Additional upfront non-remittable 5% ABSD for housing developers (No change)
Trustees ¹ buying any residential property		35% (can be refunded if all conditions for remission are met)	65% (can be refunded if all conditions for remission are met)

What constitutes a residential property

To determine if a property is a residential property for stamp duty purposes, IRAS' [website](#) is instructive:

¹ Trustee refers to a trustee of any trust when acting in that capacity, but excludes the following:

- Trustee for a collective investment scheme when acting in that capacity;
- Trustee-manager for a business trust when acting in that capacity; and
- Trustee for a housing developer when acting in that capacity.

Client Update: Singapore

2023 APRIL

Corporate Real Estate

For acquisition or disposal of a part of an entire building (e.g. building units, including those under construction), whether the property is considered to be residential (and the component of the property attributable to residential) depends on whether the permitted use of the property is residential or for mixed purposes (one of which is residential) at the date of acquisition or disposal:

Permitted Use as at Date of Purchase or Acquisition	Zoning under Master Plan	Component of the Property Attributable to Residential	Component of the Property Attributable to Non-Residential
For solely residential use	Any	100%	0%
For mixed-use (e.g. HDB shop with living quarter), one of which is for residential use	Any	The part permitted for residential use	The part permitted for non-residential use
Any other non-residential use	Any	0%	100%

For acquisition or disposal of a vacant land or an entire building with land, whether the property is considered to be residential depends on the zoning of the land under the Master Plan (and not the permitted use of the property), at the date of acquisition or disposal:

Zoning under Master Plan	Component of the Property Attributable to Residential	Component of the Property Attributable to Non-Residential
Residential	100% of the gross floor area	0%
Residential/ Institutional	100% of the gross floor area	0%
White	100% of the gross floor area	0%
Commercial & Residential	60% of the gross floor area	40% of the gross floor area
Residential with Commercial at first storey	Total gross floor area less the minimum gross floor area which must be set aside for commercial uses under the Master Plan	Minimum gross floor area set aside for commercial use
Any other zoning (e.g. Hotel, Commercial, Business Park)	0%	100% of the gross floor area

Corporate Real Estate

ABSD rates for residential properties will apply on the residential component of the property acquired or disposed of.

Changes in maximum Additional Conveyance Duties rate for buyers

With these changes to ABSD, correspondingly, the Additional Conveyance Duties for buyers of equity interest property-holding entities will be raised from up to 46% to up to 71%.

Applicability of New ABSD Rates

These revised ABSD rates would apply to cases where the contract for the sale/ purchase is entered into or the Option to Purchase ("**OTP**") is granted on or after 27 April 2023.

There will be a transitional provision, where the ABSD rates on or before 26 April 2023 would apply for cases that meet all of the following conditions ("**transitional remission conditions**"):

- (a) The OTP is granted by the sellers to buyers on or before 26 April 2023;
- (b) The OTP is exercised on or before 17 May 2023, or within the OTP validity period, whichever is earlier; and
- (c) The OTP has not been varied on or after 27 April 2023.

Concluding Words

The increase in rates appears to be directed at reducing investor demand and reserving properties for owner occupation in Singapore. It thus remains to be seen how and whether these new measures will affect investor demand for residential properties in Singapore.

Potential purchasers and developers of residential properties should be aware of the changes imposed by the new measures and determine whether such changes are applicable to their respective transactions.

For further queries, please feel free to contact our team below.

Corporate Real Estate

Contacts



Norman Ho
Senior Partner, Corporate
Real Estate

T +65 6232 0514

norman.ho@rajahtann.com



Elsa Chai
Co-Head, Corporate Real
Estate

T +65 6232 0512

elsa.chai@rajahtann.com



Chou Ching
Co-Head, Corporate Real
Estate

T +65 6232 0693

chou.ching@rajahtann.com



Gazalle Mok
Partner, Corporate Real
Estate

T +65 6232 0951

gazalle.mok@rajahtann.com

Please feel free to also contact Knowledge Management at eOASIS@rajahtann.com

Our Regional Contacts

RAJAH & TANN | *Singapore*

Rajah & Tann Singapore LLP

T +65 6535 3600
sg.rajahtannasia.com

CHRISTOPHER & LEE ONG | *Malaysia*

Christopher & Lee Ong

T +60 3 2273 1919
F +60 3 2273 8310
www.christopherleeong.com

R&T SOK & HENG | *Cambodia*

R&T Sok & Heng Law Office

T +855 23 963 112 / 113
F +855 23 963 116
kh.rajahtannasia.com

RAJAH & TANN | *Myanmar*

Rajah & Tann Myanmar Company Limited

T +95 1 9345 343 / +95 1 9345 346
F +95 1 9345 348
mm.rajahtannasia.com

RAJAH & TANN 立杰上海

SHANGHAI REPRESENTATIVE OFFICE | *China*

**Rajah & Tann Singapore LLP
Shanghai Representative Office**

T +86 21 6120 8818
F +86 21 6120 8820
cn.rajahtannasia.com

GATMAYTAN YAP PATACSIL

GUTIERREZ & PROTACIO (C&G LAW) | *Philippines*
Gatmaytan Yap Patacsil Gutierrez & Protacio (C&G Law)

T +632 8894 0377 to 79 / +632 8894 4931 to 32
F +632 8552 1977 to 78
www.cagatlaw.com

ASSEGAF HAMZAH & PARTNERS | *Indonesia*

Assegaf Hamzah & Partners

Jakarta Office

T +62 21 2555 7800
F +62 21 2555 7899

Surabaya Office

T +62 31 5116 4550
F +62 31 5116 4560
www.ahp.co.id

RAJAH & TANN | *Thailand*

R&T Asia (Thailand) Limited

T +66 2 656 1991
F +66 2 656 0833
th.rajahtannasia.com

RAJAH & TANN LCT LAWYERS | *Vietnam*

Rajah & Tann LCT Lawyers

Ho Chi Minh City Office

T +84 28 3821 2382 / +84 28 3821 2673
F +84 28 3520 8206

RAJAH & TANN | *Lao PDR*

Rajah & Tann (Laos) Co., Ltd.

T +856 21 454 239
F +856 21 285 261
la.rajahtannasia.com

Hanoi Office

T +84 24 3267 6127
F +84 24 3267 6128
www.rajahtannlct.com

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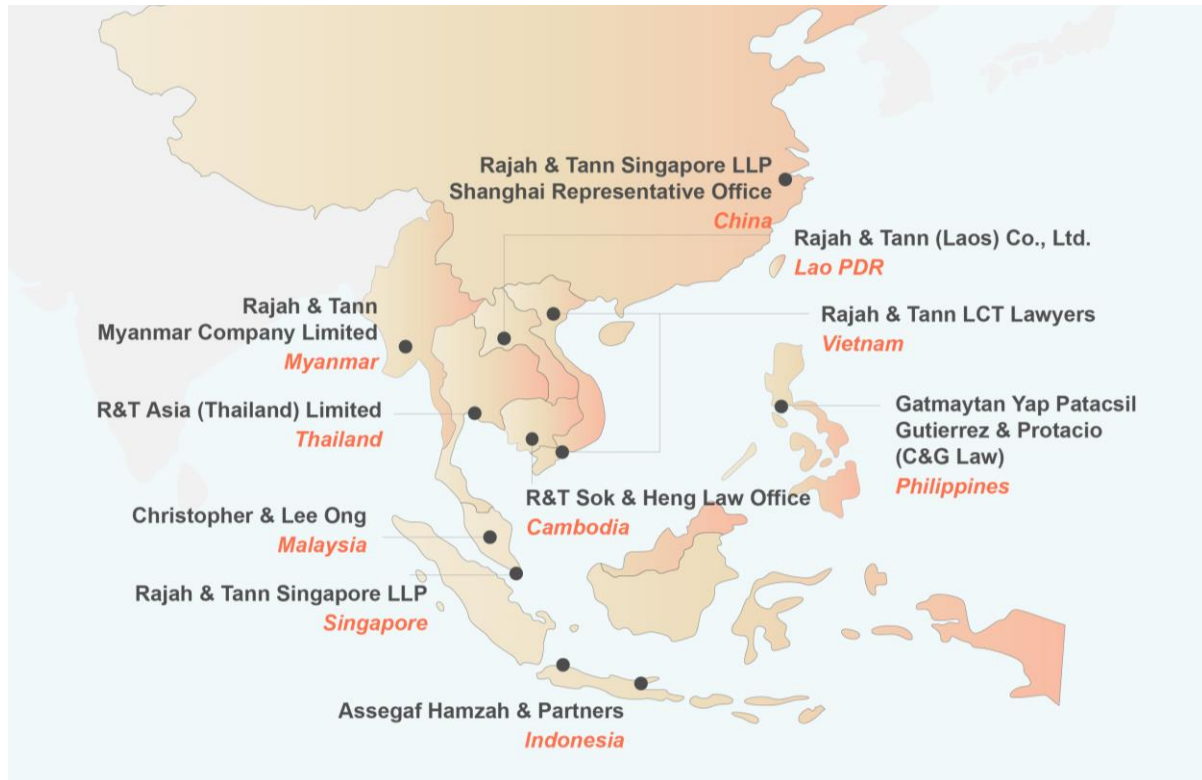
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Client Update: Singapore

2023 APRIL

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