

Corporate Real Estate

Announcements Made at Budget 2024 Regarding Residential Properties

Introduction

On 16 February 2024, Deputy Prime Minister and Minister for Finance, Mr. Lawrence Wong, delivered the Budget speech in Parliament for Parliament to approve the financial policy of the Government for the financial year 1 April 2024 to 31 March 2025 ("**Budget 2024**"). The Budget announcement is the strategic financial plan made annually by the Government to "*address the challenges facing us, outline our national priorities, and build our future Singapore together*".

Several policies were introduced at the Budget 2024, including changes to the Additional Buyer's Stamp Duty ("**ABSD**") regime, and adjustments to the property tax ("**PT**") rates.

In this Update, we provide a summary of the following key changes to the ABSD treatment and PT rates of residential properties:

- The new ABSD concession for single Singapore Citizen ("**SC**") seniors purchasing a replacement private residential property;
- The revised ABSD remission clawback rates for housing developers ("**HD**"); and
- The revised annual value bands for owner-occupier residential PT rates.

Background – The Additional Buyer's Stamp Duty Regime

The ABSD regime was introduced on 11 January 2013 as part of a slew of measures to cool the residential property market.

The applicable ABSD rates are dependent on four factors: (a) whether the buyer is an individual or an entity; (b) what the profile of the buyer is; (c) the count of residential properties ("**RP**") owned by the buyer (including residential properties beneficially owned and those held on trust); and (d) whether the residential property is to be held in a living trust.

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

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Stamp Duty Remissions and Reliefs for RP

Under section 74 of the Stamp Duties Act 1929, the Minister for Finance has the power to reduce or remit duties.

Prior to Budget 2024, common ABSD remissions for residential properties include:

- Remission of ABSD for a married couple (which consists of at least one SC);
- Remission of ABSD for qualifying foreigners under Free Trade Agreements with Singapore;
- Remission of ABSD for housing developers; and
- Remission of ABSD (Trust).

ABSD Remission for Single Singapore Citizen Seniors

Prior to the Budget 2024 announcements, a married couple (which consists of at least one SC) may be eligible for ABSD remission, if remission conditions are met. One such condition is that the second RP is purchased jointly, and the first RP is sold within six months after the date of purchase of the second RP, or the issue date of the Temporary Occupation Permit ("**TOP**") or Certificate of Statutory Completion ("**CSC**"), whichever is the earlier, if the second RP was uncompleted at the time of purchase. Such remission was not available for single SCs.

With a mind to "*better support seniors who wish to right-size*", Budget 2024 introduced a new ABSD concession for single SC seniors purchasing their second RP if the following conditions are met:

- ABSD has to be paid on the second RP;
- Each first RP is solely owned by a single SC aged 55 and above, or with single SCs aged 55 and above who are immediate family members (i.e. that single SC's parent, child, or sibling);
- The owners of each first RP **need to be the owners of the second RP**. Any additional owners purchasing the second RP with the owners of each first RP must also be single SCs aged 55 and above who are immediate family members.

To illustrate, in a situation where (i) **A** and **B** are immediate family members, (ii) the first RP is sold within the timeline in (e) below, and (iii) **A** and **B** do not own any other RP other than the first RP:

Scenario	First residential property	Second residential property	ABSD concession available?
Scenario A	Owned in A's sole name	Owned in A's sole name	Yes

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Scenario	First residential property	Second residential property	ABSD concession available?
Scenario B	Owned jointly by A and B	Owned jointly by A and B	Yes
Scenario C	Owned in A's sole name	Owned jointly by A and B	Yes
Scenario D	A owns one RP B owns another RP	A and B jointly the second RP	Yes, if both A and B sell off their first RP within the timeline in (e) below

- (d) The buyer(s) do not own more than one RP each at the point of purchasing the second RP, and have not purchased or acquired any other RP since the purchase of the second RP;
- (e) The buyer(s) disposes the first RP(s) (whether co-owned or separately owned) within six months after:
- (i) the date of purchase of the second property for completed property, or
 - (ii) the issue date of the TOP or CSC, whichever is earlier, if the property was uncompleted at the point of purchase;
- (f) There should be no change of ownership in the second RP at the time of the sale of each first RP;
- (g) The value of the second RP (at the date of purchase of the second RP) is less than the value of each of the first RP(s) sold (at the date of sale of the first RP); and
- (h) The application for refund of ABSD is made within six months after the date of sale of the first RP(s).

The new ABSD concession applies to purchases of second RPs **on or after 16 February 2024**.

Revision of ABSD Remission Clawback Rates for Housing Developers

The acquisition of sites by housing developers or their trustees who are developing a housing development are subject to ABSD at 30% (if the site was acquired between 6 July 2018 to 15 December 2021) or 40% (if the site was acquired on or after 16 December 2021).

5% is non-remittable, and is payable within 14 days after the housing developer's or their trustee's acquisition of the site.

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The balance 25% or 35% is remittable upfront subject to generally the following conditions:

- (a) The developer must commence housing development on the residential site within two years from the acquisition date;
- (b) For housing developments which comprise five or more units of housing accommodation, the developer must complete the housing development and sell all units of housing accommodation in the development within five years from the acquisition date; and
- (c) For housing developments which comprise four or lesser units of housing accommodation, the developer must complete the housing development and sell all units of housing accommodation in the development within three years from the acquisition date.

The timelines are very strict. Even if just one unit is left unsold, the housing developer is subject to a **full clawback** of the ABSD remitted, together with interest at 5% per annum. During the COVID-19 pandemic, developers were affected by disruptions to sales of housing units in part due to the closure of showflats as part of safe distancing measures. The Government then had to step in to extend the timelines on 6 May 2020 by six months for the developers to complete the sales of all units in the housing development.

For housing developments which comprise five or more units of housing accommodation, Budget 2024 introduced a slight lowering (of up to 10%) of the clawback rate if the developer is able to sell at least 90% of each development within the prescribed sale timeline.

Proportion of units sold (%) (rounded down to nearest whole %)	Applicable Remission Clawback			
	Projects with residential land acquired between 6 July 2018 and 15 Dec 2021, and subject to 30% ABSD with upfront 25% remission		Projects with residential land acquired on or after 16 Dec 2021, and subject to 40% ABSD with upfront 35% remission	
	Clawback rate before 16 Feb 2024	NEW! Clawback rate on or after 16 Feb 2024	Clawback rate before 16 Feb 2024	NEW! Clawback rate on or after 16 Feb 2024
100%	0%	0%	0%	0%
99%	25%	15%	35%	25%
98%	25%	16%	35%	26%
97%	25%	17%	35%	27%
96%	25%	18%	35%	28%
95%	25%	19%	35%	29%
94%	25%	20%	35%	30%
93%	25%	21%	35%	31%

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Proportion of units sold (%) (rounded down to nearest whole %)	Applicable Remission Clawback			
	Projects with residential land acquired between 6 July 2018 and 15 Dec 2021, and subject to 30% ABSD with upfront 25% remission		Projects with residential land acquired on or after 16 Dec 2021, and subject to 40% ABSD with upfront 35% remission	
	Clawback rate before 16 Feb 2024	NEW! Clawback rate on or after 16 Feb 2024	Clawback rate before 16 Feb 2024	NEW! Clawback rate on or after 16 Feb 2024
92%	25%	22%	35%	32%
91%	25%	23%	35%	33%
90%	25%	24%	35%	34%
<90%	25%	25%	35%	35%

The revised clawback rates for projects with residential land acquired on or before 5 July 2018 (where the housing developers paid ABSD of 15%) **remain unchanged**, even if at least 90% of units have been sold.

Further, there are also **no changes** to the interest rate of 5% per annum payable if the ABSD is clawed back.

There are also **no changes** to the other timelines applicable (such as the requirement to commence construction works within two years of the acquisition date, and to complete the housing development within five years of the acquisition date).

Lastly, the above changes only apply to housing developments comprising five or more units of housing accommodation. At present, the changes do not apply to housing developments comprising **four or less units of housing accommodation**.

Revision of Annual Value Bands for Owner-Occupier Property Tax Rates

PT is a tax on property ownership. Different rates apply whether the property is a residential property, or non-residential property, and (if it is a residential property) whether it is owner-occupied, rented out or left vacant.

PT is computed by multiplying the Annual Value of the property with the relevant PT rate applicable to that property.

The Annual Value of a property is the estimated annual rent of that property.

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At the 2022 Budget announcements made on 18 February 2022, several adjustments to taxing wealth were introduced. One such adjustment was to revise the property tax rates for non-owner-occupied residential properties, and owner-occupied residential properties. These adjustments took place in two stages on 1 January 2023 and 1 January 2024.

Prior to the Budget 2024 announcements, "*market rents increased significantly due to the combination of strong demand and COVID-related supply constraints*". There was hence a corresponding spike in Annual Value of properties. This meant that the adjustments to PT rates for owner-occupied residential properties which were initially meant to impact the top 7% of such properties ended up impacting the top 13% instead.

In light of these market trends, revisions to the Annual Value bands for owner-occupied PT rates were made at Budget 2024 as shown in the table below. These revisions will take place from 1 January 2025.

Annual Value (\$)	Tax rate effective from 1 Jan 2024 to 31 Dec 2024	Property Tax Payable	Annual Value (\$)	Tax rate effective from 1 Jan 2025	Property Tax Payable
First \$8,000 Next \$22,000	0% 4%	\$0 \$880	First \$12,000 Next \$28,000	0% 4%	\$0 \$1,120
First \$30,000 Next \$10,000	- 6%	\$880 \$600	First \$40,000 Next \$10,000	- 6%	\$1,120 \$600
First \$40,000 Next \$15,000	- 10%	\$1,480 \$1,500	First \$50,000 Next \$25,000	- 10%	\$1,720 \$2,500
First \$55,000 Next \$15,000	- 14%	\$2,980 \$2,100	First \$75,000 Next \$10,000	- 14%	\$4,220 \$1,400
First \$70,000 Next \$15,000	- 20%	\$5,080 \$3,000	First \$85,000 Next \$15,000	- 20%	\$5,620 \$3,000
First \$85,000 Next \$15,000	- 26%	\$8,080 \$3,900	First \$100,000 Next \$40,000	- 26%	\$8,620 \$10,400
First \$100,000 Above \$100,000	- 32%	\$11,980	First \$140,000 Above \$140,000	- 32%	\$19,020

Concluding Words

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.

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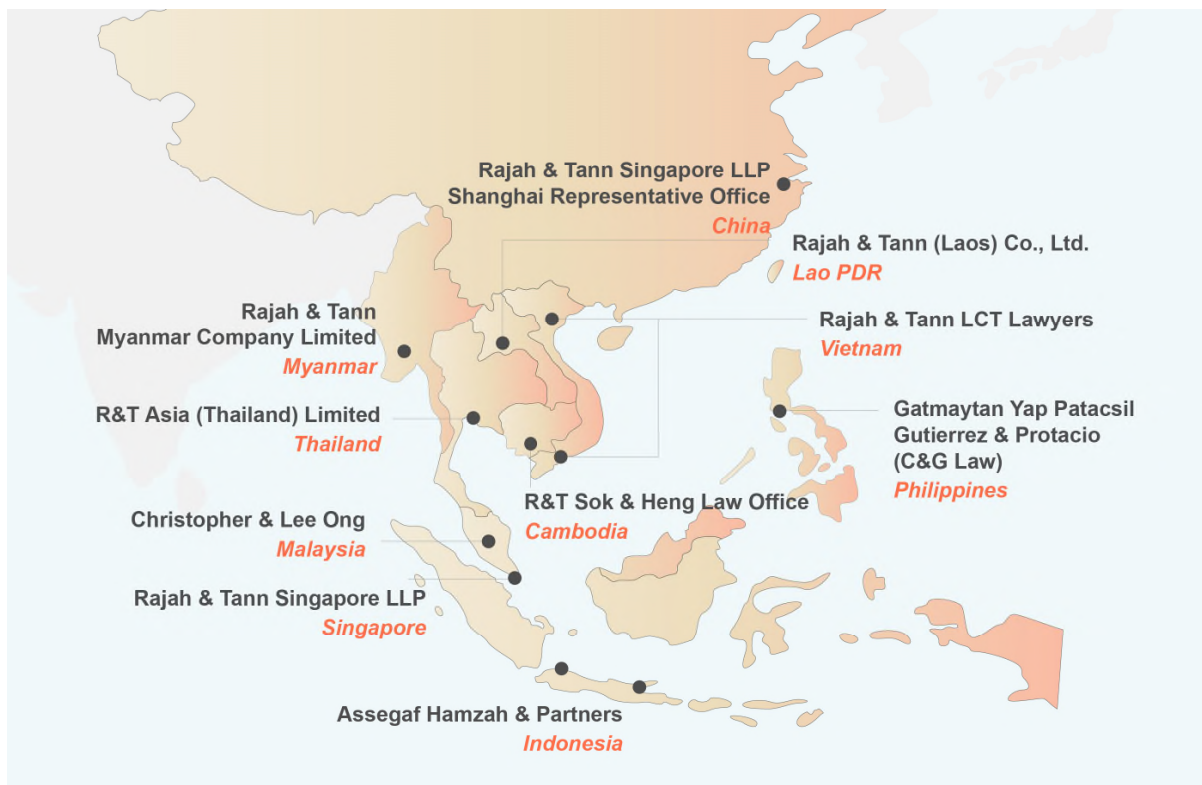
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