

## Client Alert

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## New Stamp Duty Remission Rules for Agreements for Sale of Equity Interests Come into Effect

The Stamp Duties (Agreements for Sale of Equity Interests) (Remission) Rules 2018 (the "**Rules**") came into effect on 11 April 2018. Generally, the Rules substantially reverses previous amendments to the stamp duty regime effective 11 March 2017, where duty had to be paid when contracts for the sale of shares were signed.

### Stamp Duty Changes in 2017

Prior to 11 March 2017, the relevant duty point for a sale of stock or shares was at the time of execution of the share transfer instrument. In the case of scripless shares where no transfer instrument is executed, no duty was payable.

After the enactment of the Stamp Duties (Amendment) Act 2017 ("**2017 Amendments**"), contracts or agreements for the sale of stocks or shares became chargeable as "conveyances on sale". In other words, the relevant duty point for the sale of shares was effectively the time of the execution of the said contract or agreement.

The 2017 Amendments also introduced additional conveyance duty ("**ACD**"), a new duty introduced to address the stamp duty rate differential between the direct buying and selling of residential properties, and the indirect buying and selling of residential properties through property-holding entities ("**PHEs**"). ACD removed this differential by levying duty on the transfer of shares which results in an indirect transfer of residential properties, where certain conditions are met.

Please refer to our client alert titled [\*2017 Changes to the Stamp Duty Regime\*](#) and published on 19 April 2017 for further details on the 2017 Amendments.

### Remission of Stamp Duty under the new Rules

#### Changes affecting sale of stocks and shares

The Rules will have an impact on M&A deals and corporate transactions involving shares of private companies which are not subject to ACD, on or after 11 April 2018. The new Rules in effect return the relevant duty point for a sale of stock or shares not subject to ACD to the time of execution of the share transfer instrument, instead of the time of execution of the contract or agreement. In other words, where the signing and closing of a transaction occur on different days, stamp duty will now be triggered at





the closing of the transaction when the share transfer instrument is executed, rather than upfront on signing of the contract or agreement for sale of shares.

The Rules also have an impact for transactions involving the transfer of scripless shares, as stamp duty here is remitted. The Rules effectively remove duty for the sale of scripless shares (including scripless shares that are subject to ACD) where no transfer instrument is executed. Since transfer instruments are generally not necessary for the sale of scripless stock or shares, no duty would be payable.

Do note that there is no change to stamp duty applicable to contracts or agreements for the sale of non-scripless stock or shares that are subject to ACD. The relevant duty point for such sales remains at the time of signing of the contract or agreement.

#### Remission of duty on aborted contracts or agreements for the sale of equity interests in an entity that have been executed

With effect from 11 April 2018, the Rules remit duty on contracts or agreements executed on or after 11 March 2017 for the sale of equity interests in an entity, where the following conditions are met:

1. the contract or agreement is rescinded or annulled, and the purchaser did not procure the rescission or annulment with a view to facilitating the seller's disposition of the equity interests to another person;
2. the person who paid or is liable to pay the duty submits to the Commissioner of Stamp Duties (the "**Commissioner**") evidence of the rescission or annulment within 6 months from the date of the rescission or annulment.
3. the contract or agreement is surrendered for cancellation within the period mentioned in (2) above, unless the Commissioner dispenses with the surrender, or the instrument has already been surrendered for cancellation in relation to an earlier remission under this rule.

This remission only applies to amounts in excess of S\$50 of each of (1) the usual 0.2% stamp duty applicable to the transfer of the equity interests; and (2) ACD.

Persons who have executed contracts or agreements for the sale of equity interests where the sale was subsequently aborted should consider whether they may meet the requirements above. If the requirements are met, evidence should be submitted to the Commissioner of Stamp Duties within the 6 months deadline.

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