

Client Alert

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Increase in Additional Buyer's Stamp Duty ("ABSD") Rates

The Singapore Government raised ABSD rates and tightened loan-to-value ("LTV") limits on residential property purchases with effect from 6 July 2018.

ABSD was first introduced in 2011 to promote a stable and sustainable property market. It is a duty payable by the buyer on the acquisition of residential property (in addition to buyer stamp duty), and is based on the higher of the consideration paid or market value.

The ABSD rate depends on the profile of the buyer. For acquisitions made jointly by two or more parties of different profiles, the applicable rate will be based on the profile with the highest ABSD rate.

Changes

A summary of the changes to the ABSD rates can be found in the table below:

| Profile of buyer | Number of previously owned property/ properties | ABSD rates prior to 6 July 2018 | ABSD rates on or after 6 July 2018 | Percentage increase |
|-------------------------------|---|---------------------------------|--|-----------------------------|
| Singapore Citizens | 0 | 0% | 0% | 0% |
| | 1 | 7% | 12% | 5% |
| | 2 or more | 10% | 15% | 5% |
| Singapore Permanent Residents | 0 | 5% | 5% | 0% |
| | 1 or more | 10% | 15% | 5% |
| Foreigners | 0 or more | 15% | 20% | 5% |
| Entities | 0 or more | 15% | 25% (plus an additional 5% for developers) | 10% (or 15% for developers) |





Generally, ABSD rates will increase by 10% for all entities and by 5% for all individuals other than Singapore Citizens and Singapore Permanent Residents purchasing their first residential property. ABSD rates for developers purchasing residential properties for housing development will increase by 15%.

In addition, LTV limits have been tightened by five percentage points for all housing loans granted by financial institutions. These revised LTV limits do not apply to loans granted by the Housing and Development Board.

Implications

The increased duty imposed on buyers would likely help in curbing excessive demand.

That said, the increase would affect property developers the most. Prior to 6 July 2018, the acquisition of sites by property developers for the development of five or more units was subject to 15% ABSD. This could be remitted upfront, subject to certain conditions. After the increase, housing developers are subject to 30% ABSD, of which 25% may be remitted upfront, subject to satisfying certain conditions. The other 5% will not be remitted and remains payable within 14 days from the date of acquisition.

In addition to the increased upfront costs, developers who are unable to complete the residential project and sell all its units within five years of acquiring the site will now have to pay a larger sum of clawed-back ABSD, plus interest.

There is a transitional provision where the previous ABSD rates will apply, when the option to purchase is granted on or before 5 July 2018. This is subject to the fulfilment of certain conditions.

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