

Fine-tuning of property cooling measures

Changes to the Seller's Stamp Duty (SSD) and the Total Debt Servicing Ratio (TDSR), and a new stamp duty termed Additional Conveyance Duty (ACD), took effect on 11 March 2017. There is no change to the Additional Buyer's Stamp Duty (ABSD).

Overview

On 10 March 2017, the Singapore Government announced changes to the existing property cooling measures targeted at residential properties. These changes took effect on 11 March 2017.

Seller's Stamp Duty (SSD)

SSD on sales of residential properties will now apply to disposals made within three years of purchase, reduced from a four year holding period.

In addition, SSD rates will also be reduced to 12%, 8% and 4%, if the residential properties are sold within 1, 2 and 3 year(s) respectively, of acquisition.

The new SSD rates will apply to all residential properties acquired on and after 11 March 2017.

Residential properties disposed within	SSD rate (for residential properties purchased from 14 Jan 11 to 10 Mar 17)	SSD rate (for residential properties purchased from 11 Mar 17)
1 year	16%	12%
2 years	12%	8%
3 years	8%	4%
4 years	4%	-

Total Debt Servicing Ratio (TDSR)

The TDSR framework will no longer apply to mortgage equity withdrawal loans with loan-to-value (LTV) of 50% or below. In other words, owners who mortgage their residential properties to obtain additional cash, will not be subject to TDSR, where the loan does not exceed 50% of the value of the property.

The new rule kicks in from 11 March 2017.



Additional Conveyance Duty (ACD)

Before 11 March 2017, a buyer of shares in a company holding property would only pay stamp duty of 0.2%, on the shares acquired. Buyer's Stamp Duty (BSD) and Additional Buyer's Stamp Duty (ABSD) were not imposed on the acquisition of such indirect interest in residential properties. Likewise, a seller of such indirect interest in residential properties, via the sale of shares in property holding companies, would not be subject to SSD.

With effect from 11 March 2017, ACD is payable on both the purchase and sale of equity interest by significant owners in property holding entities (PHEs) whose primary tangible assets are Singapore residential properties. In the context of ACD, an "entity" means a company, property trust, partnership, limited partnership or limited liability partnership.



The ACD will apply in addition to the existing stamp duty of 0.2%, on the shares acquired. This effectively means that the total duty payable by a significant owner on a share deal involving a residential PHE will exceed the total duty payable on an outright asset deal involving a residential property.

ACD is applicable to significant owners ($\geq 50\%$) of residential PHEs, regardless whether the owner is an individual or non-individual entity, and whether the owner is a resident or citizen.

A significant owner is a person or entity who beneficially owns at least 50% equity interest or voting power in a residential PHE, either on its own or with its associates (e.g. family members, partners in a partnership, associated entities etc.).

Triggers of ACD

ACD for Buyers (ACDB) is triggered when a buyer is already a significant owner before the acquisition or becomes a significant owner of a residential PHE, from 11 March 2017.

ACD for Sellers (ACDS) is triggered when a seller is a significant owner of a residential PHE which was acquired from 11 March 2017, and the seller disposed the residential PHE within 3 years of acquisition.

Type 1 and Type 2 PHE

A Type 1 PHE is an entity which owns residential properties that make up at least 50% of the value of the entity's total tangible assets (TTA).

A Type 2 PHE is an entity that:

- has 50% or more, direct or indirect, beneficial interest in one or more Type 1 PHE(s) ("related Type 1 PHEs"); and

- the sum of the market value of the residential properties beneficially owned by the entity and its related Type 1 PHEs, is at least 50% of the TTA of the entity and its related Type 1 PHEs.

ACD calculation

The formula to be applied for the purpose of computing ACD depends on whether the equity interest acquired or disposed of is in a Type 1 or Type 2 PHE.

ACDB calculation

ACDB is, generally speaking, imposed on the market value (MV) of the underlying residential properties held by the residential PHE, at

- 1% on the first SGD180,000; and
- 2% on the next SGD180,000; and
- 3% of the excess amount; and
- 15% on the entire MV;

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

If a person were to acquire a 100% equity interest in a PHE, the ACD is payable on 100% of the MV of the underlying residential property. If the person were to acquire less than 100% of the equity interest in a PHE, the ACD payable will be reduced accordingly.

ACDS calculation

ACDS is, generally speaking, imposed on the MV of the underlying residential properties held by the PHEs, at

- 12% on the entire MV



pro-rated according to the % equity interest sold, directly in a Type 1 PHE or indirectly in a Type 2 PHE. Any equity interest in any PHEs acquired before 11 March 2017 will not be affected by ACDS.

Our Comments

The introduction of ACD, which removes the savings in stamp duty for investing in property via holding companies, could result in further decline in the prices of residential units which are yet to be sold by developers, as bulk selling to investors is likely to decrease.

While the easing of SSD rates and TDSR will benefit certain property owners, we do not expect these changes to impact the residential property market significantly, as the ABSD and other cooling measures remain in place to the dismay of many investors hoping for some reprieve.

Overall, the changes are a positive signal that the Government is monitoring the Singapore property market and is willing to make calibrated adjustments to the cooling measures where it deems appropriate.

How we can help

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

Contact us

Chiu Wu Hong

Head of Tax

T: +65 6213 2569

E: wchiu@kpmg.com.sg

Leung Yew Kwong

Principal Consultant, Tax

T: +65 6213 2877

E: yewkwongleung@kpmg.com.sg

See Wei Hwa

Senior Tax Manager

T: +65 6213 3845

E: wsee@kpmg.com.sg

KPMG

16 Raffles Quay

#22-00 Hong Leong Building

Singapore 048581

T: +65 6213 3388

F: +65 6227 1297

E: tax@kpmg.com.sg

Find out more about our services at kpmg.com.sg

Asia Tax Firm of the Year; Asia International Tax Firm;

Asia Indirect Tax Firm; Asia Global Executive Mobility Firm and National Firm for Transfer Pricing in Singapore – Asia Tax Awards 2016, International Tax Review.

Ranked Tier 1 Firm in Singapore – World Tax 2017, International Tax Review.

For more details of our Tax services, please click [here](#).

About Tax Alert

KPMG's Tax Alerts highlight the latest tax developments, impending change to laws or regulations, current practices and potential problem areas that may impact your company. As certain issues discussed herein are time sensitive it is advisable to make plans accordingly.

"Tax Alert" is issued exclusively for the information of clients and staff of KPMG Services Pte. Ltd. and should not be used or relied upon as a substitute for detailed advice or a basis for formulating business decisions.

kpmg.com.sg/socialmedia



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2017 KPMG Services Pte. Ltd. (Registration No: 200003956G), a Singapore incorporated company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Singapore.