Joint Press Release on Measures Relating to Residential Property

Singapore, 10 March 2017… The Government has continued to review conditions in the residential property market. It has determined that the current set of property market measures remain necessary to promote a sustainable residential property market and financial prudence among households. However, we will make calibrated adjustments to the Seller's Stamp Duty (SSD) and Total Debt Servicing Ratio (TDSR) framework, with effect from 11 March 2017.

Additional Buyer's Stamp Duties (ABSD) and Loan to Value (LTV) Limits

Transaction volumes in the private residential property market remain healthy. There is firm demand for private housing, in part because of current low interest rates and continued income growth. While the growth in outstanding housing loans has moderated, it is prudent for households to further build up their financial buffers to protect against future interest rate increases or any losses in income. The Government is therefore retaining the current ABSD rates and LTV limits.

Seller's Stamp Duties (SSD)

The SSD is currently payable by those who sell a residential property within 4 years of purchase, at rates of between 4% and 16% of the property's value[1]. The number of property sales within the 4-year window has fallen significantly over the years since this measure was introduced. The Government will therefore revise the SSD as follows:

a) Impose SSD on holding periods of up to 3 years, down from the current 4 years; and
b) Lower the SSD rate by four percentage points for each tier. The new SSD rates will range from 4% (for properties sold in the third year) to 12% (for those sold within the first year).

The new SSD rates will apply to all residential property purchased on and after 11 March 2017. Details of the revised SSD rates are in the Annex.

Total Debt Servicing Ratio (TDSR)

The TDSR framework aims to encourage prudent borrowing by households and strengthen credit underwriting standards by financial institutions. Under this framework, property loans extended by a financial institution should not exceed a TDSR threshold of 60%.

However, some borrowers have given feedback that the TDSR framework has limited their flexibility to monetise their properties in their retirement years, i.e. to borrow against the value of their properties to obtain additional cash. MAS will therefore relax the rules to meet such needs. We will no longer apply the TDSR framework to mortgage equity withdrawal loans with LTV ratios of 50% and below.

Stamp Duties on Transfer of Equity Interest in Entities whose Primary Tangible Assets Are Residential Properties in Singapore

The 2nd Minister for Finance will be introducing legislative changes in Parliament today aimed at treating transactions in residential properties on the same basis irrespective of whether the properties are transacted directly or through a transfer of equity interest in an entity holding residential properties. The intent is not to impact the ordinary buying and selling of shares in such entities by retail investors, where the entities are listed on the Singapore Stock Exchange. However, significant owners of residential property-holding entities or PHEs[2] will be subject to the usual stamp duties when they transfer equity interest in such entities, similar to what would happen if they were to buy or sell the properties directly.

The Stamp Duties (Amendment) Bill will be tabled in Parliament today to give effect to this policy intent. Further details of this measure are in the Bill.

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1 Refers to the property's selling price or market value.
[2]An entity is defined as a Property Holding Entity (PHE) under two possible circumstances.

a) The first category of entities holds residential properties directly. To establish if such an entity is a PHE, a significant asset test will be applied. An entity can be a PHE if 50% or more of its total tangible assets is residential properties in Singapore. We will call this a Type 1 PHE.

b) There is also a second category of entities that have indirect holdings of residential property through Type 1 PHEs in which it has at least 50% equity interest. For such an entity, it will be considered as a PHE if it meets two criteria:

i. First, it beneficially owns at least 50% equity interest in a Type 1 PHE, and

ii. Second, it meets the significant asset test as mentioned above – in other words, the total value of the residential property it owns indirectly through Type 1 PHEs in which it owns at least 50% equity interest as well as the value of the property which it may own directly comprises 50% or more of its total tangible assets. Its total tangible assets comprise the total tangible assets it owns directly, as well as through entities (whether PHEs or not) in which it owns at least 50% equity interest.