Singapore stamp duties changes and new measures relating to Singapore residential properties

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Last Friday, the Singapore Government announced stamp duties changes and new measures relating to Singapore residential properties that come into effect on 11 March 2017. Here is a quick look at the changes and their impact:

1. Changes to the seller's stamp duty on residential properties

WHAT IS SSD?

SSD a duty that is payable on all residential properties and residential lands that are bought on or after 20 Feb 2010 and sold within the holding period.

WHAT ARE THE CHANGES TO SSD?

Existing and new Seller's Stamp Duty (SSD) rates for residential properties

WHAT IS THE IMPACT OF THIS CHANGE?

The changes to the Seller's Stamp Duty regime are not expected to have any immediate effect on the property market in Singapore. The new SSD regime only applies to residential properties purchased on or after 11 March 2017 and does not apply retrospectively. Residential properties which were purchased between 14 January 2011 to 10 March 2017 (both dates inclusive) are still subject to payment of some amount of SSD if such property is sold during the applicable 4 year holding period. Such properties bought after 14 Jan 2011 which have fulfilled the 4 year holding period may already be available for sale in the market. Hence, it is highly unlikely that this change will trigger a sudden large increase in the supply of residential properties for sale in the market.

The minor revision of the Seller's Stamp Duty's holding period from 4 years to 3 years gives some hope that the government may proceed with the tweaking of the Additional Buyer's Stamp Duty in time to come, though we do not expect this anytime soon. We anticipate that any changes to the Additional Buyer's Stamp Duty regime in future – like this change in SSD – will be gradual.

2. Revision to the Total Debt Servicing Ratio (TDSR) framework

WHAT IS THE TDSR?

The TDSR limits the amount of money banks and other financial institutions can lend to an individual. Currently it is pegged at 60% of the borrower's gross monthly income minus all of the borrower's outstanding debts which will include car loans, credit card balances, personal loans etc.

WHAT IS THE CHANGE IN THE TDSR?

With effect from 11 March 2017, this 60% TDSR threshold will no longer apply to mortgage equity withdrawal loans with loan-to-value ratios of 50 per cent and below. Mortgage equity withdrawal loans are loans where borrowers borrow against the value of their properties to obtain more cash.

WHAT IS THE IMPACT OF THIS CHANGE?

Most of the mortgage equity loans that are taken up by homeowners are usually those who use the loan proceeds for investments or if they are business owners, for the working capital for their businesses. Hence, the lifting of the Total Debt Servicing Ratio framework in relation to mortgage equity loans may help such business owners obtain more loans to support their businesses in this current uncertain economic climate. However, business owners may re-consider doing so in light of the possibility of interest rate hikes in the near future.

For retirees who are taking up such mortgage equity loans, the change will also mean that they are able to obtain more loans to help them with their daily expenditure.

3. Stamp duties on the indirect transfer of residential properties

Previously, only direct transfers of Singapore residential properties would be subject to buyer's stamp duties or the requisite additional buyer's stamp duty or seller's stamp duty.

On Friday, the Stamp Duties (Amendment) Bill No. 18/2017 ('Bill') was passed to introduce changes that will charge stamp duties on indirect transfers of residential properties as if the properties were directly transferred.

The Bill will have an impact on transactions involving certain conveyances of equity interests in companies, partnerships, limited partnerships or limited liability partnerships or trusts with certain ownership thresholds of Singapore residential properties.

The Bill is deemed to come into operation on 11 March 2017.

4. Stamp duty on contract or agreement for the sale of stock or shares

The Bill also amends section 22(1)(b) of the Stamp Duties Act. This amendment brings forward the time of stamping in a share sales transaction from the time when the share transfers are executed (for example, on completion) to the time when the agreement for the sale of stock or shares is entered into.

This change will have an impact on transactions concerning sale of company stocks or shares.

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