

Fact Sheet

STAMP DUTIES (AMENDMENT) BILL

What is the proposed measure?

1. The Government will introduce a new stamp duty treatment for the acquisition and disposal of equity interest in property holding entities (PHEs). PHEs are entities whose primary tangible assets are residential properties in Singapore.

Why are we introducing the proposed measure?

2. Currently, the acquisition of shares in companies is subject to 0.2% stamp duty. In comparison, the purchase of residential properties in Singapore attracts Buyer's Stamp Duty (BSD) of 1% to 3%, and Additional Buyer's Stamp Duty (ABSD) of up to 15%. The sale of residential properties in Singapore may also be subject to Seller's Stamp Duty (SSD). Hence, this results in a stamp duty rate differential between the direct buying/selling of residential properties, and indirect buying/selling of residential properties through PHEs.

3. The new stamp duty measure seeks to address the stamp duty rate differential by subjecting the acquisition and disposal of equity interest in entities whose primary tangible assets are in residential properties in Singapore to Additional Conveyance Duty (ACD).

4. Please see pages 3 and 4 for illustration.

What are the key features?

5. PHEs are entities whose primary tangible assets are in residential properties in Singapore. Specifically, an entity is a PHE under two possible circumstances:

- a) An entity which holds 50% or more of its total tangible assets as residential properties in Singapore (Type 1 PHE); or
- b) An entity that (i) beneficially owns at least 50% equity interest in a Type 1 PHE, and (ii) the value of the residential properties it hence owns through these Type 1 PHE, as well as residential properties which it may own directly, comprises 50% or more of its total tangible assets¹.

6. The ACD will only apply to acquisition or disposal of equity interest by owners with significant equity interest in a PHE, who are referred to as significant owners of a PHE. To be considered a significant owner, one has to either presently hold at least 50% equity interest in a PHE, or hold at least 50% interest after the equity acquisition.

7. In determining whether the 50% ownership threshold for significant ownership is met, we will also take into account the equity interest held by associates of the owner. Examples of associates include a parent company and its subsidiary, or in the context of individuals, a father and his children, husband and wife. We will also cover arrangements under which individual buyers act in concert to purchase shares with the objective of avoiding the new

¹ This comprises 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.

duties. This serves to mitigate any potential attempt to circumvent the 50% ownership threshold through its associates, and thus avoid the ACD for purchase or sale of its equity interest in a PHE.

8. The computation of ACD will be based on the prevailing market value of the underlying residential property at the time of the qualifying acquisition or disposal of equity interest, in proportion to the equity interest. The prevailing 0.2% stamp duty for transfer of shares will continue to apply.

What will the proposed measure affect?

9. The new measure will affect purchase or sale involving significant owners of PHEs. Specifically,

- a) An acquisition of equity interest will be subject to ACD, payable by buyer, if the buyer is already a significant owner at the time of acquisition, or becomes a significant owner thereafter
- b) A disposal of equity interest will be subject to ACD, payable by seller, if
 - i. the disposal is made after the seller has become a significant owner²;
 - ii. the equity interest disposed of is acquired on or after 11 March 2017; and
 - iii. the equity interest disposed of is held for 3 years or less from acquisition³.

10. The following duties will be imposed⁴ on a qualifying transfer of equity interest in the PHE (as stated in paragraph 9):

- a) Additional Conveyance Duty for Buyer (ACDB) includes:
 - i. 1% to 3% on the value of the underlying residential properties. This is intended to mirror existing BSD rates for acquisition of immovable properties.
 - ii. 15% on the value of the underlying residential properties. This flat 15% rate applies irrespective of whether the buyer of the equity interest is a Singaporean, a PR, a foreigner or a non-individual entity.
- b) Additional Conveyance Duty for Seller (ACDS) of 12% on the value of the underlying residential properties. The flat rate applies irrespective of the holding period of the equity interest which is disposed.

11. ACDB and ACDS will be pro-rated based on the percentage of equity interest acquired or disposed of.

When will the measure be implemented?

12. This measure will be effective from 11 March 2017. Details of the new measure can be found at www.iras.gov.sg.

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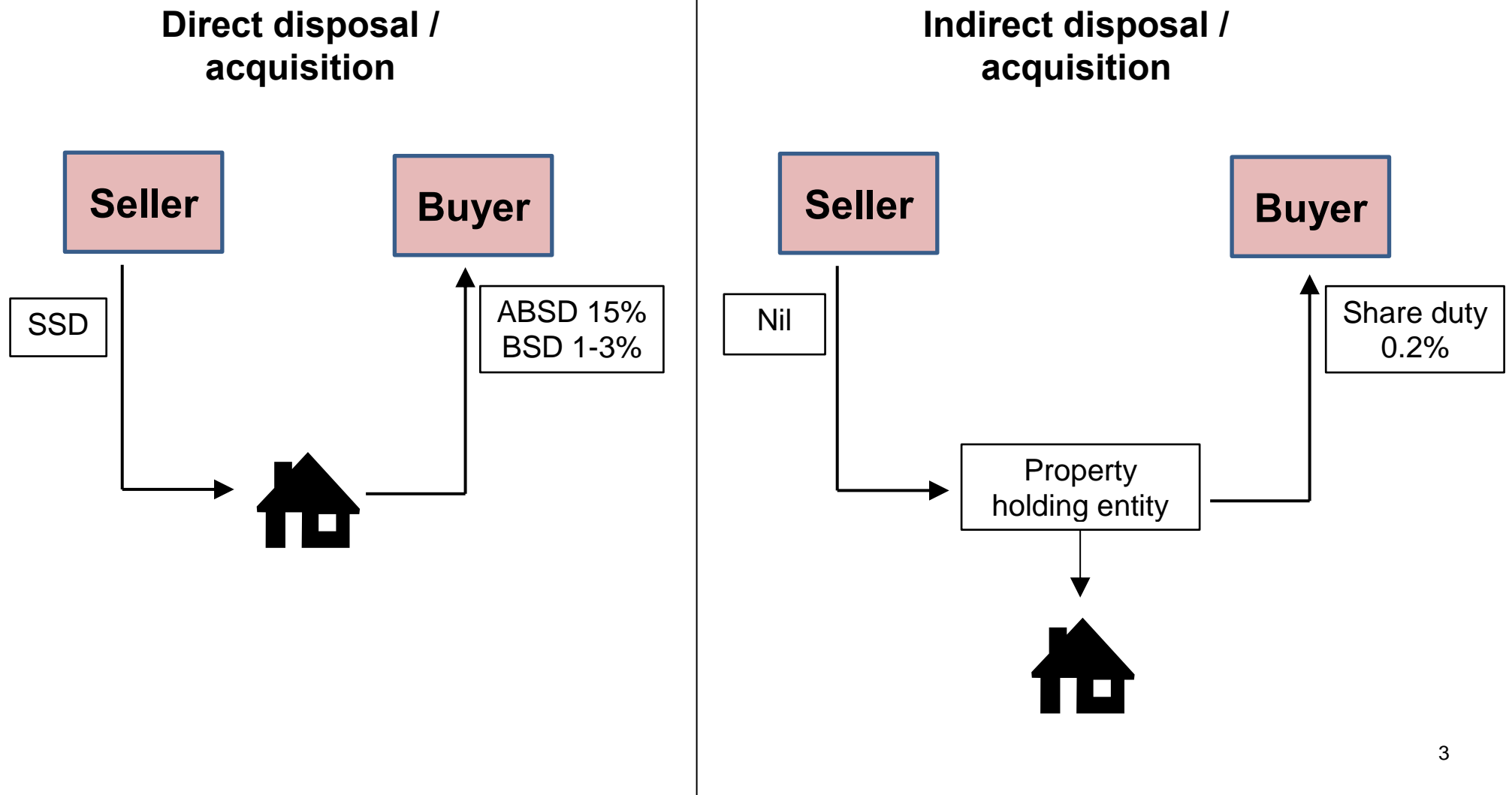
10 March 2017

² After an owner becomes a significant owner, this ACD by seller on sale of equity interest will continue to apply even when the owner is no longer a significant owner subsequently at the point of sale, until such time that the owner has disposed completely of all its equity interest in the PHE.

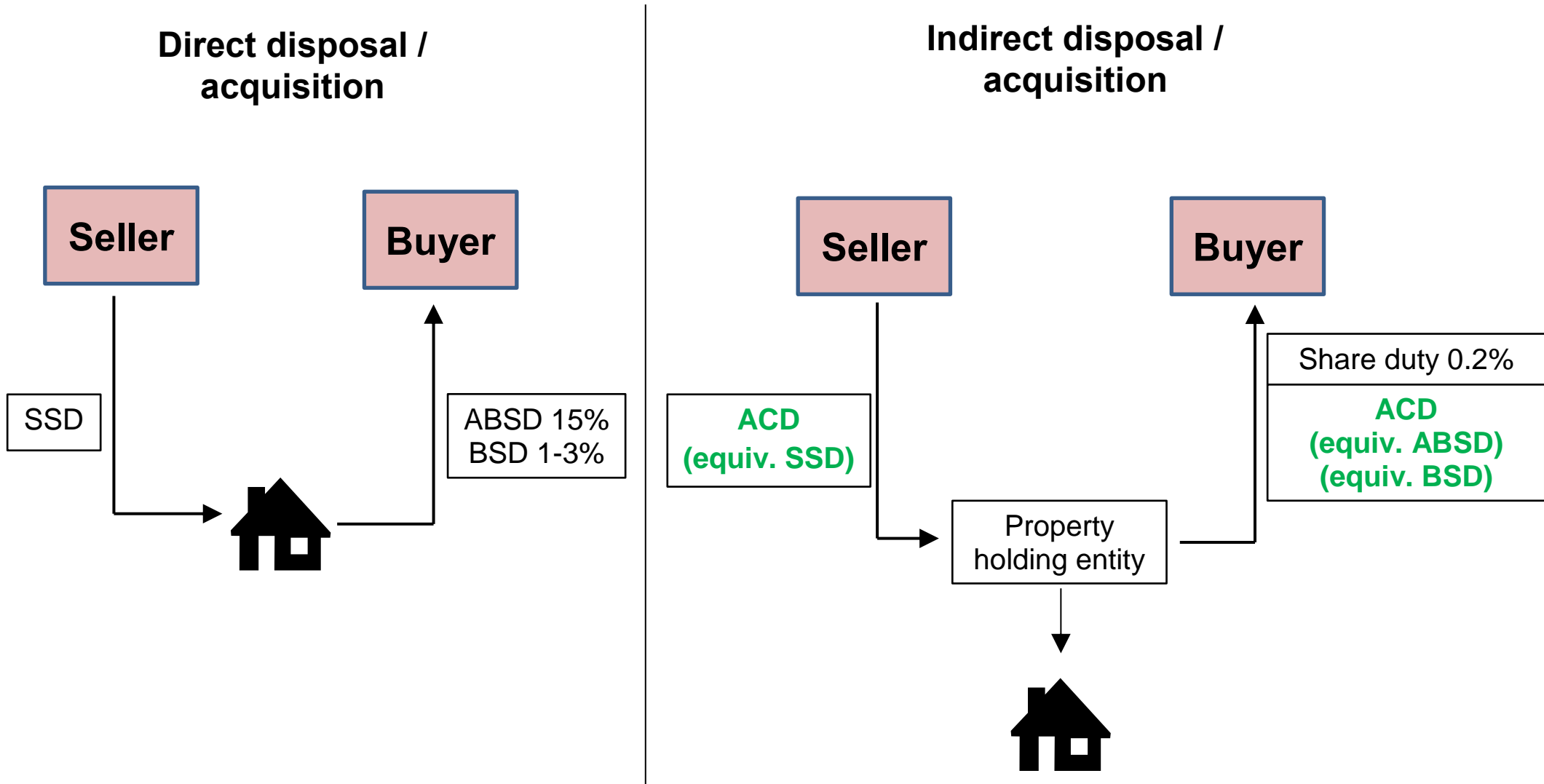
³ This holding period will be assessed on a first-in-first-out basis. This means that interests acquired first will be treated as the first to be disposed.

⁴ In addition to the prevailing stamp duty for transfer of shares if applicable.

Current treatment: Stamp duty rate differential between: direct acquisition/disposal of residential property, and indirect disposal/acquisition through property holding entities



New treatment: Addresses the stamp duty rate differential



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