

## **JOINT PRESS RELEASE**

### **ADDITIONAL MEASURES TO ENSURE A STABLE AND SUSTAINABLE PROPERTY MARKET**

- 1 The Government announced today a comprehensive package of measures to cool the residential property market. It also introduced a Seller's Stamp Duty on industrial properties for the first time, to discourage speculative activity in the industrial market.

#### **Cooling Measures for the Residential Property Market**

- 2 The Government has implemented several rounds of measures to cool demand and expand supply, so as to moderate the increase in housing prices. While these measures have dampened speculative buying, the demand for residential property remains firm and prices have continued to rise.
- 3 The continued buoyancy of the property market reflects the very low interest rate environment and continued income growth in Singapore. These factors supported a record level of housing transactions last year, particularly from investment demand. Housing prices have also shown signs of reaccelerating in recent months, in both the private residential and HDB resale flat markets. Price increases, if not checked, will run further ahead of economic fundamentals and raise the risk of a major, destabilising correction later on.
- 4 The Government has therefore decided to implement a further set of measures to cool the private and public housing markets. These measures are calibrated to be tighter on property ownership for investment, as well as on foreign buyers. To discourage over-borrowing, financing conditions for housing have also been tightened. In addition, structural measures have been implemented to strengthen the policy intent of public housing and executive condominiums.
- 5 Deputy Prime Minister and Minister for Finance Mr Tharman Shanmugaratnam said: "The reality we face is that interest rates are extraordinarily low, globally and in Singapore, and continue to add fuel to our property market. We have to take this further round of measures now, to check recent market trends and avoid a more serious correction in prices further down the road."
- 6 Minister for National Development Mr Khaw Boon Wan said: "A large supply of public and private housing – up to 200,000 units in total – will be completed in the coming years. Coupled with the new measures, we will be better placed to ensure that housing remains affordable to Singaporeans."

#### **Measures Applicable to all Residential Property**

- 7 The following measures will take effect on 12 January 2013:
  - a) Additional Buyer's Stamp Duty (ABSD) rates will be:
    - i) Raised between five and seven percentage points across the board.
    - ii) Imposed on Permanent Residents (PRs) purchasing their first residential property and on Singaporeans purchasing their second residential property.

- b) Loan-to-Value limits on housing loans granted by financial institutions<sup>1</sup> will be tightened for individuals who already have at least one outstanding loan, as well as to non-individuals such as companies.
  - c) Besides tighter Loan-to-Value limits, the minimum cash down payment for individuals applying for a second or subsequent housing loan will also be raised from 10% to 25%.
- 8 The measures listed above will not impact most Singaporeans buying their first home. Some concessions will also be extended to selected groups of buyers, such as married couples with at least one Singaporean spouse who are purchasing their second property and will sell their first residential property.
- 9 These new ABSDs and loan rules are significant, but they are temporary. They are being imposed to cool the market now, and will be reviewed in future depending on market conditions.
- 10 The details of the ABSD measure are set out in Annex I, and the housing loan measures, in Annex II.

### **Measures Specific to Public Housing**

- 11 The Government is also introducing measures to further moderate the demand for HDB flats, instil greater financial prudence among buyers, and require owner occupation by PR buyers. The following measures will take effect on 12 January 2013:
- a) Tighter eligibility for loans to buy HDB flats:
    - i) MAS will cap the Mortgage Servicing Ratio (MSR) for housing loans granted by financial institutions<sup>2</sup> at 30% of a borrower's gross monthly income<sup>3</sup>.
    - ii) For loans granted by HDB, the cap on the MSR will be lowered from 40% to 35%.
  - b) PRs who own a HDB flat will be disallowed from subletting their whole flat.
  - c) PRs who own a HDB flat must sell their flat within six months of purchasing a private residential property in Singapore.

Details of these measures are in Annex III.

- 12 An additional measure will take effect on 1 July 2013 to tighten the terms for granting HDB loans and the use of CPF funds for the purchase of HDB flats with remaining leases of less than 60 years (details of this measure are in Annex IV).

### **Measures for Executive Condominium Developments**

- 13 The Government will introduce measures specific to new EC developments to ensure that ECs continue to serve as an affordable housing option for middle-income Singaporean families.
- 14 The following measures will take effect on 12 January 2013:

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<sup>1</sup> Regulated by MAS

<sup>2</sup> Regulated by MAS

<sup>3</sup> Medium-term interest rates shall be used to determine the monthly mortgage instalments from MAS-regulated financial institutions.

- a) The maximum strata floor area of new EC units will be capped at 160 square metres.
- b) Sales of new dual-key EC units will be restricted to multi-generational families only.
- c) Developers of future EC sale sites from the Government Land Sales programme will only be allowed to launch units for sale 15 months from the date of award of the sites or after the physical completion of foundation works, whichever is earlier.
- d) Private enclosed spaces and private roof terraces will be treated as gross floor area (GFA). The GFA of such spaces in non-landed residential developments, including ECs, will be counted as part of the 'bonus' GFA of a residential development and subject to payment of charges. This is in line with the treatment of balconies under URA's current guidelines. Details of this measure are at [www.ura.gov.sg/circulars/text/dc13-01.htm](http://www.ura.gov.sg/circulars/text/dc13-01.htm).

### **Cooling Measure for the Industrial Property Market: Seller's Stamp Duty**

- 15 Prices of industrial properties have doubled over the last three years, outpacing the increase in rentals. In addition, there has been increasing speculation in industrial properties: in 2011 and the first eleven months of 2012, about 15% and 18% respectively of all transactions of multiple-user factory space were resale transactions carried out within three years of purchase. This is significantly higher than the average of about 10% from 2006 to 2010.
- 16 The Government is introducing Seller's Stamp Duty (SSD) on industrial property to discourage short-term speculative activity which could distort the underlying prices of industrial properties and raise costs for businesses.
- 17 The following SSD rates will be imposed on industrial properties and land bought and sold within three years of the date of purchase:
  - a) SSD at 15% if the property is sold in the first year of purchase, i.e. the property is held for one year or less from the date of purchase.
  - b) SSD at 10% if the property is sold in the second year of purchase, i.e. the property is held for more than one year and up to two years from the date of purchase.
  - c) SSD at 5% if the property is sold in the third year of purchase, i.e. the property is held for more than two years and up to three years from the date of purchase.

These SSDs will apply for industrial properties and land bought on or after 12 January 2013.

- 18 The Inland Revenue Authority of Singapore (IRAS) will be releasing an E-tax guide on the circumstances under which SSD is applicable and the procedures for paying SSD. The E-tax guide will be available at [www.iras.gov.sg](http://www.iras.gov.sg).

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**Raising Additional Buyer's Stamp Duty (ABSD) Rates & Imposing ABSD on New Groups of Buyers**

- 1 Currently, ABSD is imposed on certain groups of buyers:
- (i) Foreigners and non-individuals purchasing any residential property, at a rate of 10%,
  - (ii) Permanent Residents (PRs) purchasing their second and subsequent properties, at a rate of 3%; and
  - (iii) Singaporeans purchasing their third and subsequent properties, at a rate of 3%.
- 2 ABSD rates will be raised on the above groups of buyers. In addition, ABSD will be imposed on two new groups of buyers:
- (i) PRs purchasing their first residential property at a rate of 5%; and
  - (ii) Singaporeans purchasing their second residential property at a rate of 7%.
- 3 The new ABSD structure is as follows:

<b>Citizenship</b>	<b>ABSD Rate on 1<sup>st</sup> Purchase</b>	<b>ABSD Rate on 2<sup>nd</sup> Purchase</b>	<b>ABSD Rate on 3<sup>rd</sup> &amp; Subsequent Purchase</b>
Singapore Citizens	Existing: NA Revised: NA	Existing: NA Revised: 7%	Existing: 3% Revised: 10%
Permanent Residents	Existing: NA Revised: 5%	Existing: 3% Revised: 10%	Existing: 3% Revised: 10%
Foreigners and non-individuals (corporate entities)	Existing: 10% Revised: 15%	Existing: 10% Revised: 15%	Existing: 10% Revised: 15%

- 4 Singaporean first-time buyers and Singaporean buyers of HDB flats will not be affected by the new measure.
- 5 For purchases made jointly by two or more parties, the higher applicable ABSD rate will be imposed. For example, if a Singaporean purchases a property with a foreigner, the ABSD rate of 15% will apply irrespective of the number of properties each owns. If two Singaporeans jointly purchase a property with one of them already owning a residential property at the time of purchase, the ABSD rate of 7% will apply.
- 6 However, ABSD relief will be provided for joint purchases by married couples with at least one Singaporean spouse (i.e. a married couple with a Singaporean spouse and PR / foreigner spouse). Such purchases will not be subject to ABSD, as long as both spouses do not own any other property at the time of purchase. This relief facilitates their purchase of a matrimonial home, and puts them in the same position as a married couple with both Singaporean spouses who are purchasing their first residential property.
- 7 ABSD relief will also be provided to eligible married couples with at least one Singaporean spouse, who have purchased a second private residential property and will dispose their existing residential property.

- (i) The ABSD paid will be refunded if these Singaporean married couples dispose their first property within six months of the purchase of the second property, if the latter property is a completed unit.
  - (ii) If the second property is an uncompleted unit, the refund will be given if the first property is disposed within six months of the Temporary Occupation Permit (TOP) or Certificate of Statutory Completion (CSC) date of the second property, whichever is earlier.
  - (iii) These Singaporean couples must also not acquire any other residential property before the disposal of the first residential property, if they wish to avail themselves of the refund on ABSD paid on the second property.
- 8 The revised ABSD structure will take effect on residential property purchased on or after 12 January 2013<sup>4</sup>. If a buyer of a residential property has been granted Option to Purchase on and before 11 January 2013 and exercises it thereafter on or before 1 February 2013 (without any extension of the option validity period), the buyer can apply to the Inland Revenue Authority of Singapore (IRAS) for remission so that the old ABSD rate will apply.
- 9 IRAS will be releasing an E-tax guide on the circumstances under which ABSD is applicable and the procedures for paying ABSD. The E-tax guide will be available at [www.iras.gov.sg](http://www.iras.gov.sg). Taxpayers with enquiries may call IRAS at 6351 3697 or 6351 3698.

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<sup>4</sup> The material date of acquisition is the date on which the contract is made. For instance, where there is an Option to Purchase, the material date shall be the date when the Option is exercised. In the case of a direct sale of an uncompleted property by the developer where the Sale & Purchase Agreement constitutes the first contract between the developer and the Original Purchaser, the date of acquisition shall be the date of the Sale & Purchase Agreement between the developer and the Original Purchaser.

**Lowering the Loan-to-Value (LTV) Limit and Raising the Minimum Cash Down Payment on Housing Loans Granted by MAS-Regulated Financial Institutions for the Purchase of Residential Property**

**LTV Limit**

- 1 The current LTV limits for individuals who currently have one or more outstanding housing loans and are obtaining second or subsequent housing loans are 60%, or 40% if the loan tenure exceeds 30 years or the loan period extends beyond the borrower's retirement age of 65.
- 2 The following measures will take effect on 12 January 2013<sup>5</sup>:
  - (i) For individuals obtaining a second housing loan, the LTV limits will be lowered to 50%, or 30% if the loan tenure exceeds 30 years or the loan period extends beyond the borrower's retirement age of 65;
  - (ii) For individuals obtaining third or subsequent housing loans, the LTV limits will be lowered to 40% or 20% if the loan tenure exceeds 30 years or the loan period extends beyond the borrower's retirement age of 65; and
  - (iii) For non-individual borrowers, the current LTV limit of 40% will be lowered to 20%.

There is no change to the existing LTV limit for individual borrowers who have no outstanding housing loans<sup>6</sup>.

**Minimum Cash Down Payment**

- 3 The current minimum cash down payment required of individual borrowers who have one or more outstanding housing loans and are obtaining second or subsequent housing loans is 10% of the valuation limit<sup>7</sup>.
- 4 With effect from 12 January 2013, the minimum cash down payment required for such individuals will be raised to 25%<sup>8</sup>. There is no change to the existing minimum cash down payment requirement for individual borrowers who have no outstanding housing loans and are applying for a housing loan<sup>9</sup>.

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<sup>5</sup> The measures will apply to loans granted by financial institutions regulated by MAS for the purchase of residential property if the date when the option to purchase was granted or the date of the Sale & Purchase agreement (where there is no option to purchase) is on or after 12 January 2013.

<sup>6</sup> For such borrowers, the LTV limit remains 80%, or 60% if the loan tenure exceeds 30 years or the loan period extends beyond the borrower's retirement age of 65.

<sup>7</sup> Valuation limit is defined as the lower of current property value or purchase price.

<sup>8</sup> The remaining balance between the housing loan amount granted and the minimum cash down payment requirement may be paid using CPF monies and/or cash.

<sup>9</sup> For such borrowers, the cash down payment required is 5%, or 10% if the loan tenure exceeds 30 years or the loan period extends beyond the borrower's retirement age of 65.

	1 <sup>st</sup> Housing Loan	2 <sup>nd</sup> Housing Loan	From 3 <sup>rd</sup> Housing Loan
LTV Limit	<u>Existing Rules</u> 80%; or 60% if the loan tenure is more than 30 years or extends past age 65  <u>Revised Rules</u> No change	<u>Existing Rules</u> 60%; or 40% if the loan tenure is more than 30 years or extends past age 65  <u>Revised Rules</u> 50%; or 30% if the loan tenure is more than 30 years or extends past age 65	<u>Existing Rules</u> 60%; or 40% if the loan tenure is more than 30 years or extends past age 65  <u>Revised Rules</u> 40%; or 20% if the loan tenure is more than 30 years or extends past age 65
Minimum Cash Down Payment	<u>Existing Rules</u> 5% (for LTV of 80%) 10% (for LTV of 60%)  <u>Revised Rules</u> No change	<u>Existing Rules</u> 10%  <u>Revised Rules</u> 25%	<u>Existing Rules</u> 10%  <u>Revised Rules</u> 25%
Non-Individual Borrowers	<u>Existing LTV Limit</u> 40%  <u>Revised LTV Limit</u> 20%		

### **Reliefs**

- 5 A borrower will not be subject to the lower LTV limit and higher minimum cash down payment requirement when he obtains another housing loan for the purchase of a property which is an Executive Condominium (EC) purchased directly from a property developer or a HDB flat.
- 6 The borrower must provide the financial institution granting the loan a copy of the signed undertaking to HDB committing to complete the sale of his sole existing property within the period stipulated in the undertaking.<sup>10</sup> This exemption will allow borrowers to be treated as individuals with no outstanding housing loans.

<sup>10</sup> HDB's rules require a buyer of (i) an EC unit purchased directly from a property developer, or (ii) a completed/resale or uncompleted HDB/DBSS flat, to sell his existing property within six months of TOP/CSC of the EC unit or taking possession of the HDB/DBSS flat.

**Measures Specific to Public Housing****New Mortgage Servicing Ratios (MSRs) for Loans for the Purchase of New or Resale HDB Flats**

1 Currently, HDB offers housing loans with MSR of up to 40% of a borrower's gross monthly income. From 12 January 2013, HDB will offer housing loans with MSR of up to 35% of the gross monthly income instead. The cut-off dates for HDB loans are shown in Table A.

**Table A: Cut-off dates for implementation of revised MSR limit at 35% of borrower's gross monthly income for HDB loans**

<b>Transaction Type</b>	<b>Cut-off dates</b>
Purchase of flat from HDB	Application for HDB Loan Eligibility (HLE) letter and sale exercise launch date both from 12 January 2013.
Purchase of resale flat	Application for HLE letter received on or after 12 January 2013.
Taking over ownership of existing flat	Application for HLE letter received on or after 12 January 2013.
Purchase of new DBSS flat	Loan application received by HDB on or after 12 January 2013.

2 MAS will set an MSR limit of 30% for loans granted by MAS-regulated financial institutions for the purchase of HDB flats.<sup>11</sup> This rule shall apply to loans which are for the purchase of HDB flats, if the date which the Option to Purchase was granted is 12 January 2013 or after. In the case of a re-financing facility in relation to a HDB Flat, the rule shall apply if the application date for the re-financing facility is 12 January 2013 or after.

**PRs owning HDB Flats Disallowed from Subletting their Whole Flat**

3 Currently, a PR flat owner can sublet his whole flat after meeting the minimum occupation period (MOP). From 12 January 2013, PR households will be disallowed from subletting their whole flat. This will apply to existing PR households owning an HDB flat and PR households who intend to buy resale flat. PR households will continue to be able to sublet rooms.

4 PR households who have been approved by the HDB to sublet their whole flats prior to 12 January 2013 will be allowed to continue with the subletting arrangement for the remainder of the approved duration.

**PRs owning HDB Flats Must Sell their Flat after Purchase of Private Residential Property in Singapore**

5 Currently, PR households can retain their flats and invest in private residential property after meeting the MOP for their flats.

<sup>11</sup> The monthly repayment instalment used in the computation of the MSR shall be determined by using, at minimum, a medium-term interest rate. Introductory rates applied at the initial years of the loan should not be used.



6 From 12 January 2013, PR households must dispose of their HDB flats within six months of purchasing a private residential property in Singapore. PR households who had earlier been allowed by HDB to own a private residential property in Singapore prior to 12 January 2013 will not be required to sell their HDB flats. However, if they buy another private property in Singapore on or after 12 January 2013, they must sell their HDB flats. Please see Table B.

**Table B: Disposal of existing HDB flat upon purchase of private property in Singapore by PR households**

Type of Private Residential Property in Singapore	Treatment
Completed	PR flat owners must dispose their HDB flat within six months of completion of purchase of the private property.
Uncompleted	PR flat owners must dispose their HDB flat within six months of granting of Temporary Occupation Permit or Certificate of Statutory Completion, whichever is earlier <sup>12</sup> .

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<sup>12</sup> This applies even if the PR flat owner had disposed of the uncompleted private residential property before the granting of Temporary Occupation Permit or Certificate of Statutory Completion.

**Use of CPF Funds and Provision of HDB Loans for Purchase of Public Housing**

1 Currently, there are limits on the use of CPF funds for the purchase of private residential properties with less than 60 years of lease remaining. MAS-regulated financial institutions (FIs) also consider the lease period of properties in granting home loans.

2 The rules on the use of CPF funds for private residential property purchases with less than 60 years of remaining lease will apply to the purchase of public housing with similar lease duration from 1 July 2013. In tandem, HDB will revise its rules in granting HDB housing loans from 1 July 2013. The details are as follows:

<b>Remaining Lease of HDB Flat</b>	<b>Use of CPF funds</b>	<b>HDB Housing Loan</b>
≥ 60 years	Allowed based on current policy, i.e. status quo.	Allowed based on current policy <sup>^</sup> , i.e. status quo.
30 to 59 years	Allowed, except for buyers for whom the remaining lease cannot cover them to the age of at least 80.  The total CPF usage by the household will be the pro-rated Valuation Limit (VL) <sup>#</sup> based on the ratio of the remaining lease when the youngest buyer who can use CPF turns 55 years old, to the lease at point of purchase.	Allowed, if remaining lease can cover the buyer* to the age of at least 80.  Loan tenure will be the shortest of: 30 years; 65 years minus average age of buyers; and balance lease at the point of purchase minus 20 years.
20- 29 years	Not allowed.	Allowed, if remaining lease can cover the buyer* up to the age of at least 80.  Loan tenure will be the shortest of: 30 years; 65 minus average age of buyers; and balance lease at the point of purchase minus 20 years.
< 20 years	Not allowed.	No HDB housing loan.

<sup>#</sup> The VL of the flat is the lower of its valuation or its purchase price.

<sup>\*</sup> Based on the average age if there is more than one buyer to a flat.

<sup>^</sup> Mortgage Servicing Ratio limit at 35% (see Annex III).