IPTI Xtracts
Property Tax and Assessment News from Around the World

SINGAPORE - October 2017

Singapore home prices edge up on pent up demand after four year downturn

The Singapore government implemented eight rounds of cooling measures starting from February 2010 in response to surging prices, which at first slowed growth and eventually forced housing prices into a four-year downturn from the third quarter of 2013.

The original cooling measures included additional buyer's stamp duty for non-citizens and buyers of second or third homes, as well as a stamp duty for sellers which applied to transactions made within four years of purchase.

Developers were required to pay an additional buyer's stamp duty of 10 or 15 per cent, including interest, on the land cost of a project unless all the flats were built and sold within five years.
Singapore's home prices rise for the first time in 4 years

Since March this year the government has eased some of the measures, such as reducing the sellers' stamp duty by 4 per cent for each year unsold up to four years when no duty is payable.

Consequently, prices began to recover in the third quarter of this year, with the overall residential price index moving up by 0.5 per cent, its first uptick in four years.

The uptick was mainly driven by pent-up demand as transaction volumes have been 30 to 50 per cent below the pre-2013 period.

Now that prices have corrected by about 11 per cent from the peak of the market in 2013, Singapore's home prices will rise by 3 to 5 per cent this year, according to a report released last week by Daiwa Capital Markets.

The upward trend is because of a surge in demand and record low supply, according to Morgan Stanley.

Driven by the buoyant sentiment, 14 en bloc residential buildings have been sold to developers this year with the total amount exceeding S$5 billion (US$3.6 billion).

"Each flat owner's proceeds average S$1.8 million. The potential capital inflows [to original owners] could find their way back into the property market, more than the entire value of developer sales in 2016," Morgan Stanley wrote in a report last month.

Meanwhile, unsold inventory has dipped to a historical low of 15,000 units, meaning developers will soon run out of units to sell.

"Inventory absorption accelerated on improving buyer sentiment and as households deployed excess cash," Morgan Stanley analysts said. "Rising demand is outpacing tight supply."

Singapore’s housing market has roared back since the tweaking of the cooling measures in March, said Christine Li, director of research at Cushman and Wakefield in Singapore.

“The improvement in market sentiment was sustained this year with buyers coming back to the market to look for better deals,” she said.

Recently, some new launches such as Park Place Residence @ PLQ by Lend Lease and Martin Modern by Guocoland have set benchmark prices in their districts.

Sentiment is particularly strong in the high-end segment with more brisk sales in new upscale projects such as Cairnhill Nine and OUE Twin Peak, Li said.

“The momentum is likely to be sustained because the displaced owners and tenants [of en bloc buildings bought this year] are likely to drive demand for housing for the next 12 to 18 months,” she said.

“On the supply front, we are also seeing new supply completions reducing by half from 2018 onwards.” Separately, Morgan Stanley forecasts that supply will fall 40 per cent in the next two years.

This means the rental market could firm up and vacancy rates could improve.

Li said it was an opportune time to be selling in the market as more buyers are starting to accept higher prices given the premiums paid by developers in recent land tenders.

“Barring external economic shocks, developers are confident enough to launch new projects at higher than current price levels,” she said.

Experts highlight some risks that investors should bear in mind when dealing with Singapore’s property market.

“For Singapore, 15 per cent extra stamp duty applies to [non-residents],” said Binoche Chan, chief operating officer of List Sotheby’s International Realty, Hong Kong.

Land ownership in Singapore also falls under two categories: freehold and leasehold.

Freehold owners hold on to the land title in perpetuity without an expiry date, while there are many different tenures for leasehold property, with 999-year and 99-year the most common,” Chan said.

Currently, the average per square foot price of a flat in Singapore’s city centre is S$2,419, about 27 per cent less than Hong Kong’s equivalent, according to Numbeo, a database of user contributed data on housing prices.

Property tax law amended to boost Smart Nation move

Parliament yesterday passed changes to the law to allow more people to get property tax notices digitally. This is part of Singapore's move to becoming a Smart Nation, Senior Minister of State for Finance and Law Indranee Rajah told MPs.

Existing regulations require taxpayers to explicitly consent before the Comptroller of Property Tax can issue them with digital tax notices instead of hardcopy notices.

Amendments to the Property Tax Act will allow digital notices to also be sent to taxpayers who did not opt out after being notified that they will get digital notices.

Amendments to the Income Tax Act were also passed yesterday.

One key change involves making it mandatory for businesses to maintain transfer pricing documentation with effect from the 2019 year of assessment. Transfer pricing documentation refers to records kept by businesses to show they have priced their transactions with related parties at the equivalent of what they would have transacted with unrelated parties in similar circumstances. This arm's length principle is an internationally accepted tax standard.

To limit the compliance burden for smaller businesses, this requirement will apply to businesses only if they have gross revenue exceeding $10 million and significant related-party transactions. This requirement is expected to apply to under 5 per cent of firms, many of which are already maintaining such records, Ms Indranee said.

Another change raises the maximum amount an employer can voluntarily contribute to his employee's Medisave account under the Additional Medisave Contribution Scheme. From Jan 1, 2018, the amount will be raised from $1,500 to $2,730 per year. Tax-exempt contributions and deductions will be adjusted accordingly.

Also passed were amendments to improve the administration of the Goods and Services Tax (GST) Act. The changes will see customer accounting extended to certain goods and services that have seen more GST fraud, such as mobile phones sold without mobile subscription plans, memory cards and off-the-shelf software.