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Singapore property recovery unlikely to be derailed by higher tax

Singapore's decision to increase stamp duty on expensive home purchases is unlikely to derail a recovery in the city-state's housing market, with modest price gains still expected this year, the head of a property developers' association said on Friday.

The government this week raised the stamp duty on the portion of a residential property's value above S$1 million ($761,615) to 4 percent from 3 percent.

"Although the stamp duty hike may add some friction to transaction volumes and buyers are still price-sensitive, it is unlikely to derail the recovery," Augustine Tan, president of the Real Estate Developers' Association of Singapore, said at an industry gathering.

Tan said the tax hike, together with substantial premiums paid by developers for residential sites, may translate into higher prices for new projects in the future, but he told Reuters the broader recovery is likely to remain slow.

Prices in Singapore's private home market rose for the first time in four years in 2017, though it was a modest 1.1 percent.

"We should be able to see a slow rise (in prices in 2018). At least what we had last year, if not more," Tan said on the sidelines of the event.

Some analysts, however, have forecast price rises of as much as 10 percent this year, and Singapore's central bank has warned about an "excessive exuberance" in the property market.

Eager to refill their project pipeline after a long property slowdown, developers have recently been bidding aggressively at government land sales and on "en bloc" or collective sales of residential apartment buildings.

Tan said developers could become more "selective" about these collective sales going forward, partly due to the higher taxes.

"They might want to consider in their bidding for the land that there is an additional cost...Developers could be more selective but those who have not bought yet will buy," he said. (Reporting by John Geddie Editing by Shri Navaratnam and Kim Coghill)

Singapore poised for first sales tax hike in more than a decade

Singapore, a city-state famed for the low-tax model that helped transform it from a gritty port town to an Asian Manhattan, is expected to put something unusual in this year's government budget announcement: a tax hike.

Nine of 10 economists polled by Reuters think authorities on Monday will unveil the first rise in the goods and services tax (GST) since 2007. Policymakers have flagged the need to increase revenue to meet future social spending needs of a rapidly ageing population.

Economists say Finance Minister Heng Swee Keat might also make tweaks to taxes on e-commerce retailers such as Amazon.com. Inc, wealth and sugar when he presents the budget, at 0730 GMT on Monday, for the year starting April 1.

Any tax measures would come after Singapore in 2017 had its fastest economic growth in three years, estimated at 3.5 percent.

“Strong economic growth is a good pull factor supporting the tax hike,” said Francis Tan, an economist for Singapore’s United Overseas Bank.

He expects GST to be increased by 1 percentage point this year to 8 percent, followed by another 1 percentage point hike next year.

Tan added that there’s an “urgent need” to shift more towards indirect taxes as the tax base for personal income tax could become smaller over the longer term given Singapore’s demographic challenge.

While the rate for Singapore’s consumption tax is one of the world’s lowest, GST is still the government’s second largest source of tax revenue, behind corporate tax.

Singapore introduced its GST in 1994, with a 3 percent rate. This was raised to 4 percent in 2003 and 5 percent in 2004, then to 7 percent in 2007.

Some economists including HSBC’s Jingyang Chen, who expects a 2 percentage point hike to be announced on Monday, said a higher GST could be accompanied by measures to ease the burden for lower-income families, such as cash transfers and vouchers.

OTHER MEASURES COMING?

Eight of the 10 economists polled expect the government to widen the net on e-commerce transactions subject to the GST.

Currently, Singapore consumers pay 7 percent GST on their purchases from Singapore-based online retailers. In contrast, they pay no GST on goods purchased from overseas suppliers if the value of the imported goods is below S$400 ($302.40).

Several economists also suggested there could additional taxes on wealth, such as an increase in annual property taxes, as well as higher rates on alcohol and tobacco products or even a new tax on sugar consumption.

Michael Wan, an economist at Credit Suisse, estimates that a 2 percentage point increase to the GST would add around 0.6 percent of GDP to net government revenues annually, after taking into account possible offsetting measures to cushion the impact on lower income households.

Economists estimate a 2 percentage point rise in GST could boost Singapore’s headline inflation rate by 1.0-1.5 percentage points and core inflation - the measure closely watched by policymakers - by even more.

“If the MAS (Monetary Authority of Singapore) sees longer-term inflation risks after GST is implemented, then it would factor that into its policy decisions,” said HSBC’s Chen.