



# SINGAPORE - July 2018

## GOVT RAISES ABSD, TIGHTENS LOAN-TO-VALUE LIMITS IN MOVES TO COOL PROPERTY MARKET ..... 1

### Govt raises ABSD, tightens loan-to-value limits in moves to cool property market

1. The Government announced today adjustments to the Additional Buyer's Stamp Duty (ABSD) rates and Loan-to-Value (LTV) limits on residential property purchases, to cool the property market and keep price increases in line with economic fundamentals.

#### Status of the Private Housing Market

- 2. After declining gradually for close to 4 years, private residential prices began rising in 3Q2017. Prices have increased sharply by 9.1 per cent over the past year. Demand for private residential property has also seen a strong recovery, as transaction volumes continue to rise.
- 3. The sharp increase in prices, if left unchecked, could run ahead of economic fundamentals and raise the risk of a destabilising correction later, especially with rising interest rates and the strong pipeline of housing supply.
- 4. The Government has therefore decided to raise ABSD rates and tighten LTV limits for residential property purchases.

#### Raising ABSD Rates

5. The current ABSD rates for Singapore Citizens (SC) and Singapore Permanent Residents (SPR) purchasing their first residential property will be retained at 0 per cent and 5 per cent respectively.

6. The Government will make the following changes to ABSD rates:

b. Raise ABSD by 10 per cent-points for entities; and

c. Introduce an additional ABSD of 5 per cent that is non-remittable under the Remission Rules 1 (payable on the purchase price or market value, as applicable) for developers purchasing residential properties for housing development.

7. Table 1 summarises the adjustments to the ABSD rates.

**Table 1: Adjustments to ABSD Rates for Residential Property**

	Rates on or before 5 July 2018	Rates on or after 6 July 2018
SCs buying first residential property	0%	0% (No change)
SCs buying second residential property	7%	12% (Revised)
SCs buying third and subsequent residential property	10%	15% (Revised)
SPRs buying first residential property	5%	5% (No change)

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SPRs buying second and subsequent residential property	10%	15% (Revised)
Foreigners buying any residential property	15%	20% (Revised)
Entities buying any residential property	15%	25% (Revised)# Plus additional 5% for developers^ (New, non-remittable)*

# As entities, developers will also be subject to the ABSD rate of 25% for entities. Developers may apply for remission of this 25% ABSD, subject to conditions (including completing and selling all units within the prescribed periods of 3 years or 5 years for non-licensed and licensed developers respectively). Details are provided under the Stamp Duties (Non-licensed Housing Developers) (Remission of ABSD) Rules and the Stamp Duties (Housing Developers) (Remission of ABSD) Rules.

^ Developers refer to entities which engage in the business of construction and sale of housing units.

\* This new 5% ABSD for developers is in addition to the 25% ABSD for all entities. This 5% ABSD will not be remitted, and is to be paid upfront upon purchase of residential property.

1 Stamp Duties (Non-licensed Housing Developers) (Remission of ABSD) Rules and Stamp Duties (Housing Developers) (Remission of ABSD) Rules

8. For purchases made jointly by two or more parties of different profiles, the highest applicable ABSD rate will apply. However, full ABSD remission will continue to be provided for joint purchases of the first residential property by married couples with at least one SC spouse.

9. Married couples with at least one SC spouse, who jointly purchase a second residential property, can continue to apply for a refund of ABSD, as long as they sell their first residential property within 6 months after (a) the date of purchase of the second residential property, or (b) the issue date of the Temporary Occupation Permit (TOP) or Certificate of Statutory Completion (CSC) of the second residential property, whichever is earlier (if the property was uncompleted at the time of purchase).

10. There will be a transitional provision for cases where an Option to Purchase (OTP) has been granted by sellers to potential buyers on or before 5 July 2018, and this OTP has not been varied on or after 6 July 2018. For such cases, the current ABSD rates, instead of the revised ABSD rates, will apply if the OTP is exercised within 3 weeks of this announcement (i.e. exercised on or before 26 July 2018) or the OTP validity period, whichever is earlier.

#### Tightening of LTV Limits

11. LTV limits will be tightened by 5 per cent-points for all housing loans granted by financial institutions. These revised LTV limits do not apply to loans granted by HDB. Table 2 summarises the adjustments to the LTV limits:

**Table 2: Revised LTV Limits on Housing Loans Granted by Financial Institutions**

	1st Housing Loan	2nd Housing Loan	From 3rd Housing Loan
<b>Individual Borrowers</b>			
LTV Limit	<b>Existing Rules</b> 80%; or 60% if the loan tenure is more than 30 years* or extends past age 65	<b>Existing Rules</b> 50%; or 30% if the loan tenure is more than 30 years* or extends past age 65	<b>Existing Rules</b> 40%; or 20% if the loan tenure is more than 30 years* or extends past age 65
	<b>Revised Rules</b> 75%; or 55% if the loan tenure is more than 30 years* or extends past age 65	<b>Revised Rules</b> 45%; or 25% if the loan tenure is more than 30 years* or extends past age 65	<b>Revised Rules</b> 35%; or 15% if the loan tenure is more than 30 years* or extends past age 65

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	<b>No change to existing rules</b>	
Minimum Cash Down Payment	5%; or 10% if the loan tenure is more than 30 years* or extends past age 65	25%
<b>Non-Individual Borrowers</b>		
LTV Limit	<b>Existing Rule</b> 20%	<b>Revised Rule</b> 15%

\* 25 years, where the property purchased is a HDB flat.

12. The tightened LTV limits will apply to loans for the purchase of residential properties where the OTP is granted on or after 6 July 2018.

13. In line with the tightening of LTV limits for housing loans, LTV limits for mortgage equity withdrawal loans (MWLs) will be tightened as follows:

- a. 75 per cent for a borrower with no outstanding housing loan for the purchase of another residential property; and
- b. 45 per cent for a borrower with an outstanding housing loan for the purchase of another residential property.

14. The tightened LTV limits will apply to MWL applications made on or after 6 July 2018.2

15. The Government will continue to monitor the property market and adjust our policies as necessary, to maintain a stable and sustainable property market.

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