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PROPERTY TAX BETTER FORM OF WEALTH TAX FOR SINGAPORE 1

Property tax better form of wealth tax for Singapore

Wealth taxes should ideally target fixed assets like property instead of levying inheritances or other holdings as most household wealth here is held in the form of property, said Finance Minister Heng Swee Keat.

Mr Heng, who was addressing calls from MPs for alternative taxes to levy on the well-off, told Parliament yesterday: "What works best depends on the country's overall tax system, and broader economic and social circumstances."

Ms Cheryl Chan (Fengshan) called for net-wealth taxes and taxes on inheritances in remarks made in Parliament on Wednesday, and asked if ultra-high-net-worth individuals were willing to share their wealth to uplift the vulnerable and less privileged.

Last year, several MPs had also argued for such levies to be imposed as an alternative to the planned goods and services tax hike.

Singapore taxes personal wealth mainly through three channels - property, personal income and consumption, with the top earners contributing more to the state's coffers.

Taxing the estates of local residents when they die stopped in 2008 as the wealthy tend to manage their financial assets on a global basis.

Mr Heng said that compared with other types of assets, property is fixed and less mobile: "Indeed, a large portion of Singapore household wealth is held in the form of housing assets."

The Government has been adjusting property taxes over the years to make them more progressive, he added. This has included levying stamp duties.

"Owner-occupied properties enjoy a concessionary property tax rate, with the rate being higher for higher-end homes," Mr Heng said. The rate is also higher for property not occupied by owners, such as those left vacant or which are rented out.

Singaporeans pay an additional 12 per cent for their second property and a further 15 per cent for third and subsequent properties, following changes to the additional buyer's stamp duty last year. Foreigners have to fork out an additional 20 per cent on all purchases.

Mr Heng also said a new tier for the buyer's stamp duty for property valued above a million dollars was imposed in last year's Budget.

International Property Tax Institute

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