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Singapore

Parliament: Law compelling landlords to pass on property tax rebates to tenants 'doesn't make them worse off', says DPM Heng

A new law that obliges commercial property owners to unconditionally pass on their property tax rebate in full to their tenants does not make these property owners worse-off, Deputy Prime Minister Heng Swee Keat said on Tuesday (April 7) afternoon.

Under the Covid-19 (Temporary Measures) Bill, which was introduced to make landlords pass on the savings to their tenants, property owners who fail to do so unconditionally "without reasonable excuse" will be guilty of an offence and face fines of up to \$5,000.

Responding to some property owners' comments that such an obligation penalises them, Mr Heng, who is also Finance Minister, said that this move staves off rental terminations, and keeps their premises rented out.

"With a property tax rebate of up to 100 per cent, property owners pay less or even no property tax for the year.

"Property owners should pass the full tax savings on to their tenants as the property tax rebate is intended to benefit the tenants," Mr Heng said in his round-up speech of the supplementary Solidarity Budget 2020 debate.

Commercial properties that qualified for Budget 2020's rebates of 15 per cent to 30 per cent will, with enhancements introduced in the Resilience Budget, pay zero property tax for this year.

A property tax rebate of 30 per cent for this year has also been granted in the Resilience budget to all other non-residential properties, such as offices and industrial properties.

"On the cost front, I am heartened to see some property owners passing on the 100 per cent rebate fully to their tenants, by reducing rentals," said Mr Heng.

He added that some property owners, such as Mapletree Commercial Trust, have even gone further, by giving their tenants more than the property tax rebate that they receive, to share the burden during this time of uncertainty.

"Despite these commendable moves, I have received feedback from tenants that some property owners have yet to pass on the Property Tax Rebate to them.

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"This is why we are imposing a legal obligation on property owners to unconditionally pass on to their tenants the full amount of rebate that is attributable to the tenanted properties," said Mr Heng.

"With this move, I trust that all property owners will do your part, support your tenants, and give additional help to tenants who need it."

The Government is leading by example, he said, by giving a rental waiver of up to three months for government-owned properties, which helps about 36,000 tenants.

Speaking during the debate on additional support measures in response to Covid-19 on Tuesday, Ms Foo Mee Har (West Coast GRC) noted that: "It is regrettable that we have to enact new laws to compel landlords to pass on property tax rebates to tenants."

On the issue of fairness, Mr Saktiandi Supaat, MP For Bishan-Toa Payoh GRC, highlighted issues landlords and others may face.

"In the case of leases or licences for non-residential property, this Bill ensures no termination of lease/licence where non-payment of rent is due to a Covid-19 event," Mr Saktiandi said in the second reading of the Bill.

"However, the impact on landlords, for example, in the case of real estate investment trusts (Reits), may also have impact on retail investors invested in these Reits, and Singaporeans will have some exposure if... the tenants are not able to pay the rent at the end of the six months or duration stipulated."

Interests on both sides of the contractual obligation need to be considered as well.

"In addition, we should also ensure that this measures for deferred payment for six months do not lead to moral hazard, or negative externality issues, where tenants who are already facing trouble take the opportunity to delay payments, or lead to non-performing bank loans causing issues in the banking system," Mr Saktiandi said.

Although some tenants are unable to secure even \$100 revenue a day, "a sum too little to cover rental for a day", Mr Christopher de Souza (Holland-Bukit Timah GRC) noted that some landlords have "not been prompt to pass on the rebate saving to their tenants, adopting a wait-and-see approach".

"In my speech on the Unity Budget, I had suggested that we make the landlords of commercial spaces more accountable, and suggested that they be required to fill up a declaration to Iras as to whether they had passed on the property rebate to the tenant and if so, how much in dollar terms.

"Beyond the declaration, we should make it compulsory for the commercial landlord to pass on the full property tax rebate, in actual dollar terms, to the tenants... Such prescriptive legislation ensures the money spent from our Budget is indeed stretched," Mr de Souza said.

The Government has in less than two months released three Budget statements - Unity, Resilience and Solidarity. These values, Mr Heng earlier said, will come to define who Singaporeans are as a people.

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