



## Additional Buyer's Stamp Duty Hike: What It Means For Singapore's Property Market

### WHAT HAPPENED?

In a significant move, the Singapore Government announced an increase in the Additional Buyer's Stamp Duty (ABSD) rate.<sup>1</sup> The measure, announced late into the night of 26 April 2023, kicked in the following day, raising ABSD rates for Singaporeans and Permanent Residents who are seeking to purchase their second and subsequent properties, as well as for foreigners intending to buy any properties in Singapore. The sudden hike has led to a flurry of discussion regarding its rationale and potential impact.

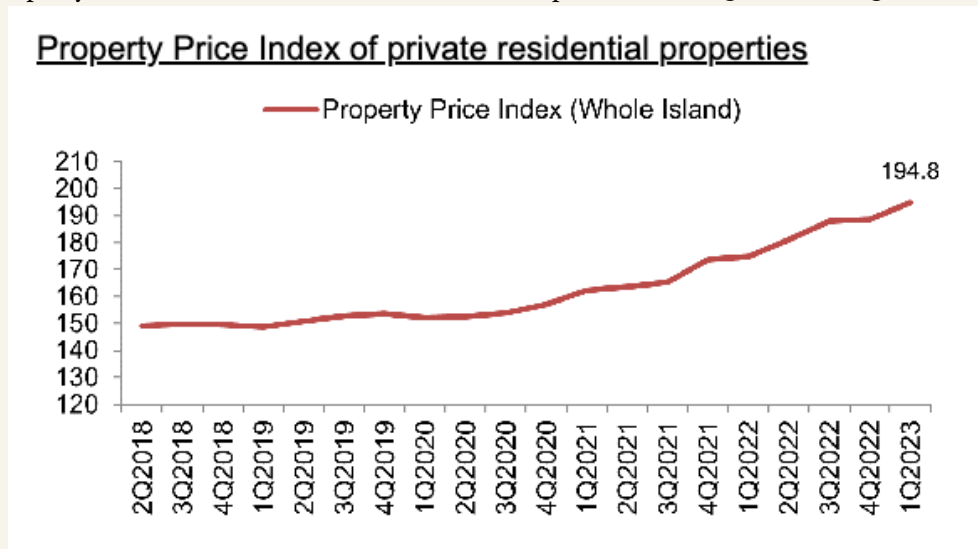
### SINGAPORE'S PROPERTY MARKET

To understand why cooling measures such as ABSD have to be implemented and reviewed, we must first analyse the trend of rising property prices in Singapore.

#### How have prices risen?

According to Q1 2023 Real Estate Statistics published by the Urban Redevelopment Authority (URA), Singapore's private housing market saw a quarter-on-quarter price increase of 3.3% in Q1 2023, compared to a 0.4% increase in the previous quarter. This indicates that the price increases have accelerated. This was accompanied by a 7.2% quarter-on-quarter increase in rental price in Q1 2023, carrying over from a sustained trend of price increases since the start of 2022.<sup>2</sup>

Figure 1: Property Price Index of Private Residential Properties from Q2 2018 to Q1 2023 (URA, 2023)



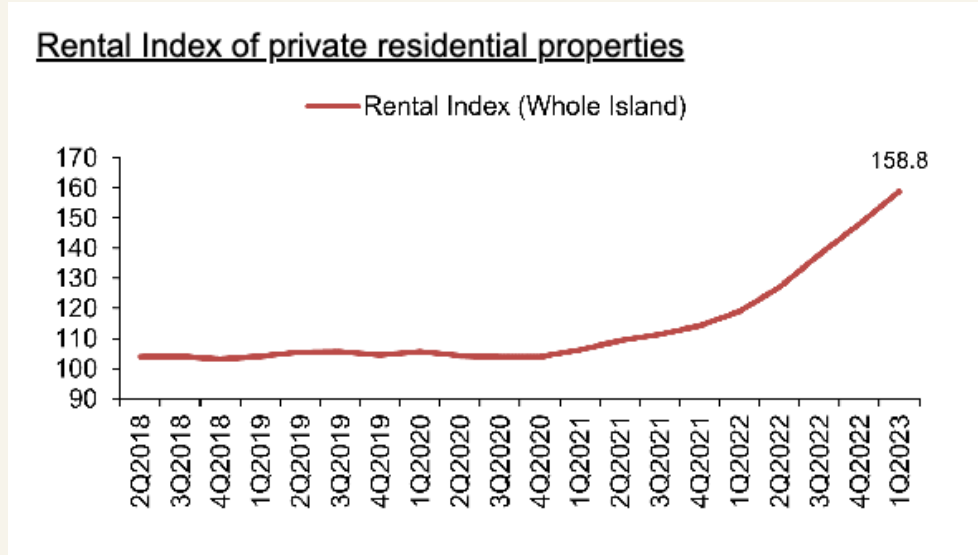
<sup>1</sup> Sim, Royston. "Higher ABSD: S'Pore Citizens Buying 2nd Home to Pay 20%, up from 17%; Rate for Foreigners Doubles." *The Straits Times*, April 27, 2023.

<https://www.straitstimes.com/business/property/higher-absd-s-pore-citizens-buying-2nd-home-to-pay-20-up-from-17-rate-for-foreigners-doubles>.

<sup>2</sup> "Release of 1st Quarter 2023 Real Estate Statistics." Urban Redevelopment Authority. Accessed May 13, 2023.

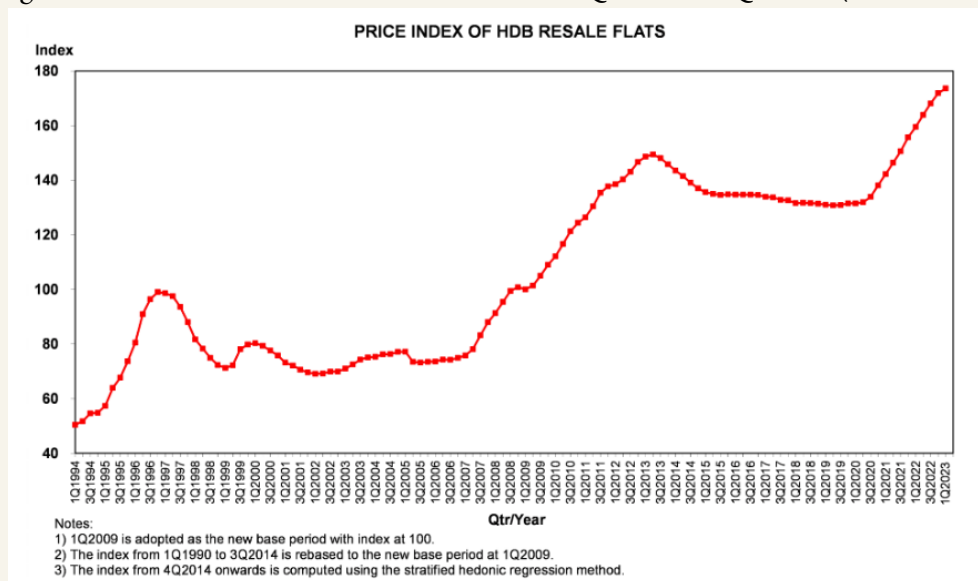
<https://www.ura.gov.sg/Corporate/Media-Room/Media-Releases/pr23-12>.

Figure 2: Rental Index of Private Residential Properties from Q2 2018 to Q1 2023 (URA, 2023).



In terms of the public housing market, the price index of Housing & Development Board (HDB) resale flats show a 1% increase in Q1 2023 compared to Q4 2022. Throughout 2022, the price index of HDB resale flats has shown an increase of approximately 2.5% quarter-on-quarter. Thus, Q1 2023 indicates that prices are, indeed, increasing, but at a slower rate<sup>3</sup>. Overall, we can see that HDB resale prices have mostly trended upwards since 2007, with a sharp rise since 2020 that has been frequently discussed lately.

Figure 3: Price Index of HDB Resale Flats from Q1 1994 to Q1 2023 (URA, 2023)



Overall, the increases in price and rental indices across the private and public housing markets reflect the rising cost of living in Singapore. This is caused by a variety of factors, from post-pandemic economic recovery to shifting consumer habits in the property market. If left unregulated, high property prices will lower housing affordability, especially for lower income and younger Singaporeans, and is currently a major cause of concern amongst

<sup>3</sup> “HDB | Resale Statistics - Housing & Development Board.” Housing & Development Board. Accessed May 13, 2023. <https://www.hdb.gov.sg/residential/selling-a-flat/overview/resale-statistics>.

Singaporeans, with 66% listing housing affordability as a “top area” for the government to focus on, according to a YouGov survey.<sup>4</sup>

## Who is Buying Property?

It is estimated that 90% of residential property transactions are purchased by residents buying their first residential property.<sup>5</sup> The remaining 10% is largely split between Singapore residents who own two or more properties, foreign buyers, as well as companies who make up a small proportion of private property purchases.

Foreigners are not allowed to purchase HDB flats, which constitutes public housing, leaving the private housing market as the only viable option. Notably, however, foreigners accounted for only around 3% of all private housing transactions, lower than the pre-pandemic level of approximately 5% between 2017 and 2019.<sup>6</sup>

As highlighted later in this piece, these demographic breakdowns carry implications for the effectiveness of the recent ABSD rate hike in regulating demand for private property in Singapore.

## What are Current Measures to Regulate Demand?

Over the years, Singapore has introduced a variety of cooling measures to regulate the housing market, such as raising ABSD rates, tightening loan limits and borrowing criteria, and instituting wait-out periods, among others. For example, in 2022, the Government tightened the loan limits for HDB loans, effectively restricting the amount that buyers can borrow for their purchase. Additionally, to moderate demand in the HDB resale market, the Government implemented a 15-month wait-out period for private home owners buying HDB resale flats.<sup>7</sup> Whilst the Government has pursued a myriad of cooling measures, it is worth noting that the Property Price Index of private residential properties has remained on an upward trend since Q2 2018.<sup>8</sup>

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<sup>4</sup> Robinson, Fiona. “Majority of Singaporeans Positive about Country and Government Performance: YouGov.” Yougov. January 11, 2023. <https://sg.yougov.com/en-sg/news/2023/01/11/majority-singaporeans-positive-about-country-and-g/>.

<sup>5</sup> Ng, Michelle. “ABSD Hikes to Hit Foreign Buyers of Higher-end Private Homes Most; Impact on Prices Uncertain: Analysts.” *The Straits Times*, April 28, 2023.

<https://www.straitstimes.com/singapore/housing/absd-hikes-to-hit-foreign-buyers-of-higher-end-private-homes-most-impact-on-prices-uncertain-analysts>.

<sup>6</sup> Ganapathy, Kurt. “Foreigners account for ‘very small proportion’ of private housing transactions in Singapore: Desmond Lee.” CNA, September 13, 2022.

<https://www.channelnewsasia.com/singapore/private-housing-transactions-foreigners-share-desmond-lee-mnd-2934616>.

<sup>7</sup> “Singapore Introduces Property Cooling Measures, with Stricter Borrowing Criteria and Tighter Limits for HDB Loans.” CNA, September 30, 2022.

<https://www.channelnewsasia.com/singapore/singapore-property-cooling-measures-loan-borrowing-criteria-hdb-ltv-limit-15-month-wait-out-period-2974776>.

<sup>8</sup> “Release of 1st Quarter 2023 Real Estate Statistics.” Urban Redevelopment Authority. Accessed May 13, 2023.

<https://www.ur.gov.sg/Corporate/Media-Room/Media-Releases/pr23-12>.

## APRIL 2023 ABSD HIKE

### **What is ABSD?**

ABSD, or Additional Buyer's Stamp Duty, refers to the additional amount that buyers are required to pay on top of existing Buyer's Stamp Duty. Buyer's Stamp Duty (BSD) is a tax paid on documents signed when one purchases or acquires property located in Singapore. The reason for the ABSD's implementation was to moderate demand for residential property and allow housing to be more affordable for Singaporeans.<sup>9</sup> The tax aims to discourage foreigners and residents who own more than one property from purchasing property.

ABSD and BSD are computed on the purchase price as stated in the dutiable document or the market value of the property. The amount of ABSD paid is not static across properties. Rather, it is determined by the profile of the buyer, which is differentiated by their nationality status and the number of properties they own.

#### Calculating ABSD

Property A is valued at \$1 million, but the selling price of Property A is \$1.1 million. The ABSD is calculated based on the higher value - in this case, the selling price of \$1.1 million.

If the buyer is a Singapore citizen buying their first property, no ABSD is payable. However, if the buyer is purchasing Property A as their second property, 20% ABSD is payable. Thus, the amount payable is \$1.1million x 20% = \$220,000.

There are certain rules governing the ABSD to ensure its effectiveness.<sup>10</sup> For instance, if one were to purchase a new property but have yet to sell their existing property, they are still required to pay the ABSD upfront. They can only request for a remission of the ABSD after the existing property has been sold. Furthermore, even having a partial interest (such as a 10% share) in any property would count to the number of properties owned by an individual.<sup>11</sup> ABSD is also computed such that if one were to buy a property with another individual with a different profile, the higher ABSD rate will be used for the property.

### **What are the Recent Changes to the ABSD?**

On 27 April 2023, the ABSD was raised at varying amounts across the categories of Singaporeans, Singaporean PRs, Foreigners, and Entities. The ABSD rate hike mainly affects Singaporeans and Permanent Residents with two or more properties, who face significant increases in ABSD rates of 3-5%, as well as foreigners intending to buy residential property, who saw their ABSD rate double from 30% to 60%.

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<sup>9</sup> "Stamp Duties." Ministry of Finance. March 22, 2023. <https://www.mof.gov.sg/policies/taxes/stamp-duties>.

<sup>10</sup> "Additional Buyer's Stamp Duty (ABSD)." IRAS. April 27, 2023.

[https://www.iras.gov.sg/taxes/stamp-duty/for-property/buying-or-acquiring-property/additional-buyer's-stamp-duty-\(absd\)](https://www.iras.gov.sg/taxes/stamp-duty/for-property/buying-or-acquiring-property/additional-buyer's-stamp-duty-(absd)).

<sup>11</sup> Ibid.


A summary of these changes can be found below<sup>12</sup>:

Figure 4: Overview of ABSD rate hikes for different profiles (CNA, 2023)<sup>13</sup>

**New property cooling measures in Singapore: Adjustments to Additional Buyer's Stamp Duty**

Additional Buyer's Stamp Duty		Rates from Dec 16, 2021 to Apr 26, 2023	New rates on or after Apr 27, 2023
Singapore citizens	1st residential property	0%	0% (no change)
	2nd residential property	17%	20%
	3rd & subsequent residential property	25%	30%
Permanent Residents	1st residential property	5%	5% (no change)
	2nd residential property	25%	30%
	3rd & subsequent residential property	30%	35%
Foreigners	Any residential property	30%	60%

Source: MOF, MND, MAS, Apr 26, 2023



## WHAT ARE THE POSSIBLE IMPLICATIONS?

### Impact on Property Prices

There has been a multitude of responses from experts regarding the possible implications of the hike to housing prices in various sectors of the property market.

Some have argued that the measures might have a moderating effect on property prices, particularly in the central regions. Professor Sing Tien Foo, Provost's Chair in the Department of Real Estate at the National University of Singapore, believes that an optimistic scenario might be an increase of 2 to 4% in private home prices for 2023, with a long-term effect of making private residential homes more affordable for middle and high income Singaporeans.<sup>14</sup> However, he also warned of a possible fall in Singapore's property prices, similar to the housing tumbles of 1997 and 2008. This is in light of other economic factors, such as the high interest rate environment and the gloomy global economic outlook.<sup>15</sup>

<sup>12</sup> "Heart of the Matter: Why Ultra-Rich Foreigners Will Still Buy Property in Singapore." CNA, April 7, 2023.

<https://www.channelnewsasia.com/singapore/absd-property-housing-foreigners-additional-buyers-stamp-duty-ultra-rich-3467021>.

<sup>13</sup> CNA. "Singapore announces new property cooling measures, additional buyer's stamp duty doubled to 60% for foreigners". April 26, 2023.

<https://www.channelnewsasia.com/singapore/property-cooling-measures-absd-additional-buyers-stamp-duty-doubled-foreigners-increase-3446376>

<sup>14</sup> Sing, Tien Foo. "Impact of ABSD Hike on Housing Market Could Go Two Ways." *The Straits Times*, May 3, 2023.

<https://www.straitstimes.com/opinion/impact-of-absd-hike-on-housing-market-could-go-two-ways>.

<sup>15</sup> Ibid.

However, analysts generally believe that the hike might not affect overall housing prices significantly. Based on 2022 data, the rate hikes only affect roughly 10% of all private property transactions, while the majority of buyers consist of Singaporeans purchasing their first home.<sup>16</sup> Huttons Asia Senior Director of Research Lee Sze Teck asserts that projects in the high-end market might be held back as buyers are more significantly impacted by the hike, but mass market projects would likely still continue.<sup>17</sup> This assertion was corroborated with sustained robust demand for private property - just two days after the ABSD hike was implemented, Blossoms by the Park saw a take-up rate of 75% on its launch.<sup>18</sup> Foreigners, the demographic most impacted by the hike, only accounted for 4% of buyers.

Some analysts have stated that potential buyers of residential property might instead choose to invest in commercial property. For instance, PropNex Senior Associate District Director Richard Tan has noted a spike in interest in shophouses, and other analysts have picked up on surging demand in sectors such as strata-titled offices and hotels.<sup>19</sup> Nonetheless, Minister for National Development Desmond Lee has asserted that the commercial property market is not expected to be significantly affected, as observed from past increases in ABSD rates.<sup>20</sup>

### Impact on Rental Situation

Several analysts believe that the higher ABSD rate could push up rental prices. Mr Lee from Huttons Asia notes that some foreigners rent while waiting for Singapore citizenship or permanent residency, so as to avoid paying ABSD.<sup>21</sup> He estimates that rentals could spike by roughly 10% in 2023. Ms Christine Sun, OrangeTee and Tie's Senior Vice-President of Research and Analytics, also believes that more Singaporeans might choose to rent between selling their flat and purchasing a private property, as they are still required to pay for a new property's ABSD if they have yet to sell their house.<sup>22</sup>

Should rental prices increase in 2023, this would exacerbate the current trend of rising property rental prices. Since 2021, HDB and private rental housing prices have seen a sharp uptick of 38% and 43% respectively.<sup>23</sup> Minister Lee addressed such concerns, stating that 40,000 homes are expected to be completed this year, the highest in five years.<sup>24</sup> With early signs of easing in rental demand, he believes there should be a moderation of rent increases in the near future.

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<sup>16</sup> Leong, Grace. "ABSD Raised to Pre-emptively Dampen Property Investment Demand: Desmond Lee." *The Straits Times*, April 28, 2023. <https://www.straitstimes.com/business/absd-raised-to-preemptively-dampen-property-investment-demand-desmond-lee>.

<sup>17</sup> Ng, Michelle. "ABSD Hikes to Hit Foreign Buyers of Higher-end Private Homes Most; Impact on Prices Uncertain: Analysts."

<sup>18</sup> Lim, Joyce, and Jefferson Lin. "Buyers Book about 75% of Units at Launch of Buona Vista Condo despite Cooling Measures." *The Straits Times*, April 30, 2023.

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<sup>19</sup> Lim, Ry-Anne. "ABSD Hikes May Push More Wealth to Singapore Commercial Real Estate." *The Business Times*, May 7, 2023.

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<sup>20</sup> Leong, Grace. "Latest ABSD Hikes Unlikely to Have Significant Impact on Commercial Property Market: Desmond Lee." *The Strait Times*, May 11, 2023.

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<sup>21</sup> Lee, Loraine, and Youjin Low. "Property Cooling Measures Likely to Push up Rents, but Have Little Impact on Mass Market Condo Prices: Experts." *Today*, April 28, 2023.

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<sup>22</sup> Ibid.

<sup>23</sup> Lee, Loraine. "Rental Pressures to Ease as 40,000 New Homes Are Completed in 2023: MAS." *Today*, April 26, 2023.

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<sup>24</sup> Leong, Grace. "Latest ABSD Hikes Unlikely to Have Significant Impact on Commercial Property Market: Desmond Lee."

## **FINAL THOUGHTS**

While the ABSD rate hike was significant, it targets a rather small demographic of potential private property buyers. Hence, while high-end properties might be affected, the hike is unlikely to impact overall demand for private property to a large extent. Likewise, its impact on commercial property and housing rental prices remains to be seen.

It is crucial to take note of the government's intention behind implementing this sudden and dramatic ABSD rate hike. Minister Lee frames the policy as a pre-emptive measure to prevent property prices from being pushed up by investors.<sup>25</sup> In doing so, this would prioritise Singaporeans who seek to purchase homes for owner-occupation. This measure can be seen as a calibrated response to curb inflationary pressures on housing, an important aspect to Singaporeans' livelihoods.

Authored by Garrendir Kaur Shanna and Yeo Tok Lin. Published on 31 May 2023.

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*This Policy Explainer was written by members of MAJU. MAJU is an independent, youth-led organisation that focuses on engaging Singaporean youths in a long-term research process to guide them in jointly formulating policy ideas of their own.*

*By sharing our unique youth perspectives, MAJU hopes to contribute to the policymaking discourse and future of Singapore.*

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<sup>25</sup> Leong, Grace. "ABSD Raised to Pre-emptively Dampen Property Investment Demand: Desmond Lee."



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