

---

Corporate Real Estate

# Government Implements New Measures to Cool the Property Market

## Introduction

On 15 December 2021, the Ministry of Finance, Ministry of National Development and Monetary Authority of Singapore announced in a joint press release the implementation of a package of cooling measures on the purchase of residential properties. The new measures have since taken effect from 16 December 2021.

The press release (available [here](#)) states that, despite the economic impact of COVID-19, private housing prices have risen by about 9% since Q1 2020, while HDB resale flat prices have been recovering sharply after a six-year decline, rising about 15% since Q1 2020. The cooling measures are thus intended to address the concern that *"if left unchecked, prices could run ahead of economic fundamentals, and raise the risk of a destabilizing correction later on. Borrowers would also be vulnerable to a possible rise in interest rates in the coming years"*.

In this Update, we provide a summary of the key changes in the new cooling measures.

## Changes at a Glance

The three broad measures that have come into effect are:

- (a) **Additional Buyer's Stamp Duty ("ABSD")**: An increase in ABSD for most purchasers except Singapore citizens ("**SC**") and Singapore Permanent Residents ("**SPR**") buying their first residential properties;
- (b) **Total Debt Servicing Ratio ("TDSR")**: A tightening of the TDSR; and
- (c) **Loan-to-Value ("LTV") Limits**: A reduction in the LTV limits for HDB-granted loans.

**Contribution Note:** This Client Update was written with contributions from Calvin Lim, Associate, from Corporate Real Estate.

# Client Update: Singapore

## 2021 DECEMBER

Corporate Real Estate

### Increase in ABSD rates

The new ABSD rates are set out in the table below:

Profile of Buyer		Previous ABSD rates (between 6 July 2018 to 15 15 December 2021)	New ABSD rates (from 16 December 2021)
SC	Buying 1 <sup>st</sup> residential property	Not applicable	Not applicable (No change)
	Buying 2 <sup>nd</sup> residential property	12%	17%
	Buying 3 <sup>rd</sup> and subsequent residential property	15%	25%
SPR	Buying 1 <sup>st</sup> residential property	5%	5% (No change)
	Buying 2 <sup>nd</sup> residential property	15%	25%
	Buying 3 <sup>rd</sup> and subsequent residential property	15%	30%
Foreigners buying any residential property		20%	30%
Entities buying any residential property		25%  (Developers may apply for remission of this ABSD, subject to conditions)  Additional upfront non-remittable 5% ABSD for housing developers	35%  (Developers may apply for remission of this ABSD, subject to conditions) (See below for details on application for ABSD remission)  Additional upfront non-remittable 5% ABSD for housing developers (No change)

These revised ABSD rates would apply to cases where the contract for the sale/purchase is entered into or the Option to Purchase ("**OTP**") is granted on or after 16 December 2021.

# Client Update: Singapore

## 2021 DECEMBER

### Corporate Real Estate

Where the contract for the sale/purchase is entered into or the OTP is granted on or before 15 December 2021, the pre-16 December 2021 ABSD rates would apply for cases that meet **all** of the following conditions ("**transitional remission conditions**"):

- (a) The OTP is granted by the sellers to buyers on or before 15 December 2021;
- (b) This OTP is exercised on or before 5 January 2022, or within the OTP validity period, whichever is earlier; and
- (c) This OTP has not been varied on or after 16 December 2021.

With these changes, correspondingly, the Additional Conveyance Duties for buyers of equity interest property-holding entities will be raised from up to 34% to up to 44%.

The ABSD currently does not affect those buying HDB flat or executive condominium unit from property developers with an upfront remission, if any of the joint acquirers/purchasers is a SC. There is no change to this.

### Illustrations

In the table below, we have set out a few illustrations by applying the applicable ABSD rates and transitional remission conditions:

Scenario	Applicable ABSD Rate
(1) The OYP is issued before 16 December 2021. The OTP validity period expires on a date before 5 January 2022 (e.g. 28 December 2021). The OTP has not been varied on or after 16 December 2021.	For the pre-16 December 2021 ABSD rates to apply, the OTP must be exercised on or before 28 December 2021.
(2) The OYP is issued before 16 December 2021. The OTP validity period expires on a date after 5 January 2022 (e.g. 12 January 2022). The OTP has not been varied on or after 16 December 2021.	For the pre-16 December 2021 ABSD rates to apply, the transitional remission conditions must be met. This means that the OTP must be exercised on or before 5 January 2022 even if the original OTP validity period extends beyond 5 January 2022.
(3) The OTP is issued before 16 December 2021. The Purchaser obtains approval from the Seller (on or after 16 December 2021) to extend the OTP validity period to a date before 5 January 2022 (e.g. 30 December 2021).	The new ABSD rates would apply as the OTP has been varied on or after 16 December 2021.

# Client Update: Singapore

## 2021 DECEMBER

### Corporate Real Estate

Scenario	Applicable ABSD Rate
(4) The OTP is issued before 16 December 2021. The Purchaser obtains approval from the Seller ( <b>prior to</b> 16 December 2021) to extend the OTP validity period to a date after 5 January 2022.	For the pre-16 December 2021 ABSD rates to apply, the transitional remission conditions must be met. This means that the OTP must be exercised <b>on or before 5 January 2022</b> (even if approval has been obtained prior to 16 December 2021 to extend the OTP validity period beyond 5 January 2022), and the OTP must not be varied (including any extension of the OTP validity period) on or after 16 December 2021.
(5) The OTP is issued before 16 December 2021. The Purchaser obtains approval from the Seller ( <b>prior to</b> 16 December 2021) to extend the OTP validity period to a date before 5 January 2022 (e.g. 3 January 2022).	For the pre-16 December 2021 ABSD rates to apply, the transitional remission conditions must be met. For this illustration, it means that the OTP must be exercised by <b>3 January 2022</b> , and the OTP must not be varied (including any extension of the OTP validity period) on or after 16 December 2021.
(6) A Sale and Purchase Agreement has been entered into by an Initial Purchaser before 16 December 2021 and the Buyer's Stamp Duty has been paid. Pursuant to Rule 4 of the Stamp Duties (Conveyance Directions) (Remission) Rules 2015, the Initial Purchaser will be issuing a Conveyance Direction to appoint and nominate an Ultimate Purchaser to undertake the property/land acquisition.	The current legislation does not cater for such a scenario. If the Ultimate Purchaser is seeking for the pre-16 December 2021 remittable ABSD rate of 25% to apply, an appeal has to be submitted via the IRAS e-Stamping Portal, and the request will be considered under section 74 of the Stamp Duties Act.

### Developers

Developers should note that they may still apply for upfront remission on the ABSD rate of 35% under the Stamp Duties (Non-Licensed Housing Developers) (Remission of ABSD) Rules and the Stamp Duties (Housing Developers) (Remission of ABSD) Rules.

For developers applying for the transitional remission, developers have to apply using the Government portals at the following websites within 14 days from the date of execution of the instrument:

- (a) <https://go.gov.sg/2021ABSDremission> (for SingPass users); or
- (b) <https://go.gov.sg/2021ABSDremission-corp> (for CorpPass users).

# Client Update: Singapore

## 2021 DECEMBER

### Corporate Real Estate

#### Changes in Stamping Procedure for Entities and Housing Developers

For acquisitions of residential properties by entities and housing developers on or after 16 December 2021, all applicants are to email the following documents to IRAS within 14 days from the date of execution of the instrument:

Entities	Housing Developers
Email subject: Non-Housing Developer Entities – <i>Insert Property Address</i>	Email subject: ABSD Housing Developers Remission – <i>Insert Property Address</i>
Documents to attach <ul style="list-style-type: none"> <li>• Completed Application Form for Non-Housing Developer Entities</li> <li>• Option granted (if any)</li> <li>• Executed Sale Contract</li> </ul>	Documents to attach <ul style="list-style-type: none"> <li>• Complete Application Form for ABSD Housing Developers Remission</li> <li>• Option granted (if any)</li> <li>• Executed Sale Contract</li> <li>• Prescribed Letter of Undertaking</li> </ul>
Email the above to <a href="mailto:estamp@iras.gov.sg">estamp@iras.gov.sg</a>	Email the above to <a href="mailto:SD_Remission@iras.gov.sg">SD_Remission@iras.gov.sg</a>

IRAS will process the application within a month from the date of submission and will email the payment instructions along with the revised payment due date.

This mode of application is a temporary measure while IRAS enhances their e-Stamping system to serve the users better.

### Tightened TDSR Thresholds

Earlier in the month, in its Financial Stability Review 2021 (available [here](#)), MAS had urged homebuyers to exercise prudence when taking on debt for property purchases, especially with regard to their abilities to service their long-term mortgage obligations. This is especially important given that residential properties and loans account for the bulk of the household balance sheet, representing about 40% of assets and 75% of liabilities.

Amid the current low interest rate environment, potential home buyers may be keen to take up more loans. These potential home buyers would have been vulnerable to a possible rise in interest rates in the coming years.

# Client Update: Singapore

## 2021 DECEMBER

### Corporate Real Estate

To address this, the TDSR threshold has been tightened from 60% to 55%. The applicability of the new threshold is as follows:

New TDSR Threshold Applies	New TDSR Threshold Does Not Apply
<ul style="list-style-type: none"> <li>Loans for the purchase of properties where the OTP is granted on or after 16 December 2021.</li> <li>Mortgage equity withdrawal loan ("MWL") applications made on or after 16 December 2021, unless the LTV ratio of the MWL does not exceed 50%.</li> </ul>	<ul style="list-style-type: none"> <li>Borrowers with existing property loans granted before 16 December 2021 will not be affected by the new 55% TDSR threshold when refinancing their loans. TDSR is currently waived for borrowers who refinance their owner-occupied housing loans.</li> <li>For borrowers refinancing their existing investment property loans, MAS has provided for a temporary TDSR waiver for borrowers affected by COVID-19. Otherwise, the previous 60% TDSR will apply.</li> </ul>

The tightening on the TDSR threshold will affect all potential homeowners. Even first-time home buyers who are not affected by the increase in ABSD rates may find themselves needing to pay for their purchases with more cash and/or CPF as the amounts they can borrow may be reduced in the circumstances detailed above.

The TDSR is applicable to both residential and non-residential property loans granted by financial institutions to individuals, sole proprietors and vehicles with no substantive genuine commercial business, set up for the purchase of properties held by individuals. Other SMEs and corporates are not subject to the TDSR when applying for property loans as they are generally subject to a different set of credit assessment criteria that considers the nature and financials of their business.

The above guidance has been provided in the [press release](#) on the cooling measures with accompanying FAQ on the applicability of the new TDSR threshold.

### New LTV Limits for HDB Housing Loans

The LTV limits for HDB housing loans have been tightened from 90% to 85%.

# Client Update: Singapore

## 2021 DECEMBER

### Corporate Real Estate

The applicability of the new limits is as follows:

New LTV Limit Applies	New LTV Limit Does Not Apply
<ul style="list-style-type: none"> <li>New flat applications for sales exercises launched from 16 December 2021.</li> <li>Complete resale applications received by HDB from 16 December 2021 onwards.</li> </ul>	<ul style="list-style-type: none"> <li><b>Loans granted by financial institutions:</b> For such loans, the LTV limit will remain at 75%.</li> </ul>

As with the tightening of the TDSR threshold, the new LTV limits may also affect potential HDB homeowners, who would now need to fork out more cash and/or CPF due to the reduction in the permitted loan quantum for housing loans granted by HDB in the above scenario.

### Concluding Words

The new cooling measures are directed at tempering the rise in prices in the residential property market. Specifically, the measures are stated to be aimed at the private residential and HDB resale markets. It thus remains to be seen the extent to which these measures will affect the residential property market in the coming months.

Potential purchasers and developers of residential property units should be aware of the changes imposed by the cooling measures, and determine whether such changes are applicable to their respective transactions.

For further queries, please feel free to contact our team below.

Corporate Real Estate

## Contacts



**Elsa Chai**  
Head, Corporate Real Estate

T +65 6232 0512

[elsa.chai@rajahtann.com](mailto:elsa.chai@rajahtann.com)



**Norman Ho**  
Senior Partner, Corporate Real Estate

T +65 6232 0514

[norman.ho@rajahtann.com](mailto:norman.ho@rajahtann.com)



**Gazalle Mok**  
Partner, Corporate Real Estate

T +65 6232 0951

[gazalle.mok@rajahtann.com](mailto:gazalle.mok@rajahtann.com)



**Chou Ching**  
Partner, Corporate Real Estate

T +65 6232 0693

[chou.ching@rajahtann.com](mailto:chou.ching@rajahtann.com)

---

Please feel free to also contact Knowledge and Risk Management at [eOASIS@rajahtann.com](mailto:eOASIS@rajahtann.com)



## Our Regional Contacts

### RAJAH & TANN | *Singapore*

#### Rajah & Tann Singapore LLP

T +65 6535 3600  
sg.rajahtannasia.com

### R&T SOK & HENG | *Cambodia*

#### R&T Sok & Heng Law Office

T +855 23 963 112 / 113  
F +855 23 963 116  
kh.rajahtannasia.com

### RAJAH & TANN 立杰上海

#### SHANGHAI REPRESENTATIVE OFFICE | *China*

#### Rajah & Tann Singapore LLP Shanghai Representative Office

T +86 21 6120 8818  
F +86 21 6120 8820  
cn.rajahtannasia.com

### ASSEGAF HAMZAH & PARTNERS | *Indonesia*

#### Assegaf Hamzah & Partners

##### Jakarta Office

T +62 21 2555 7800  
F +62 21 2555 7899

##### Surabaya Office

T +62 31 5116 4550  
F +62 31 5116 4560  
www.ahp.co.id

### RAJAH & TANN | *Lao PDR*

#### Rajah & Tann (Laos) Co., Ltd.

T +856 21 454 239  
F +856 21 285 261  
la.rajahtannasia.com

### CHRISTOPHER & LEE ONG | *Malaysia*

#### Christopher & Lee Ong

T +60 3 2273 1919  
F +60 3 2273 8310  
www.christopherleeong.com

### RAJAH & TANN | *Myanmar*

#### Rajah & Tann Myanmar Company Limited

T +95 1 9345 343 / +95 1 9345 346  
F +95 1 9345 348  
mm.rajahtannasia.com

### GATMAYTAN YAP PATACSIL

#### GUTIERREZ & PROTACIO (C&G LAW) | *Philippines*

#### Gatmaytan Yap Patacsil Gutierrez & Protacio (C&G Law)

T +632 8894 0377 to 79 / +632 8894 4931 to 32  
F +632 8552 1977 to 78  
www.cagatlaw.com

### RAJAH & TANN | *Thailand*

#### R&T Asia (Thailand) Limited

T +66 2 656 1991  
F +66 2 656 0833  
th.rajahtannasia.com

### RAJAH & TANN LCT LAWYERS | *Vietnam*

#### Rajah & Tann LCT Lawyers

##### Ho Chi Minh City Office

T +84 28 3821 2382 / +84 28 3821 2673  
F +84 28 3520 8206

##### Hanoi Office

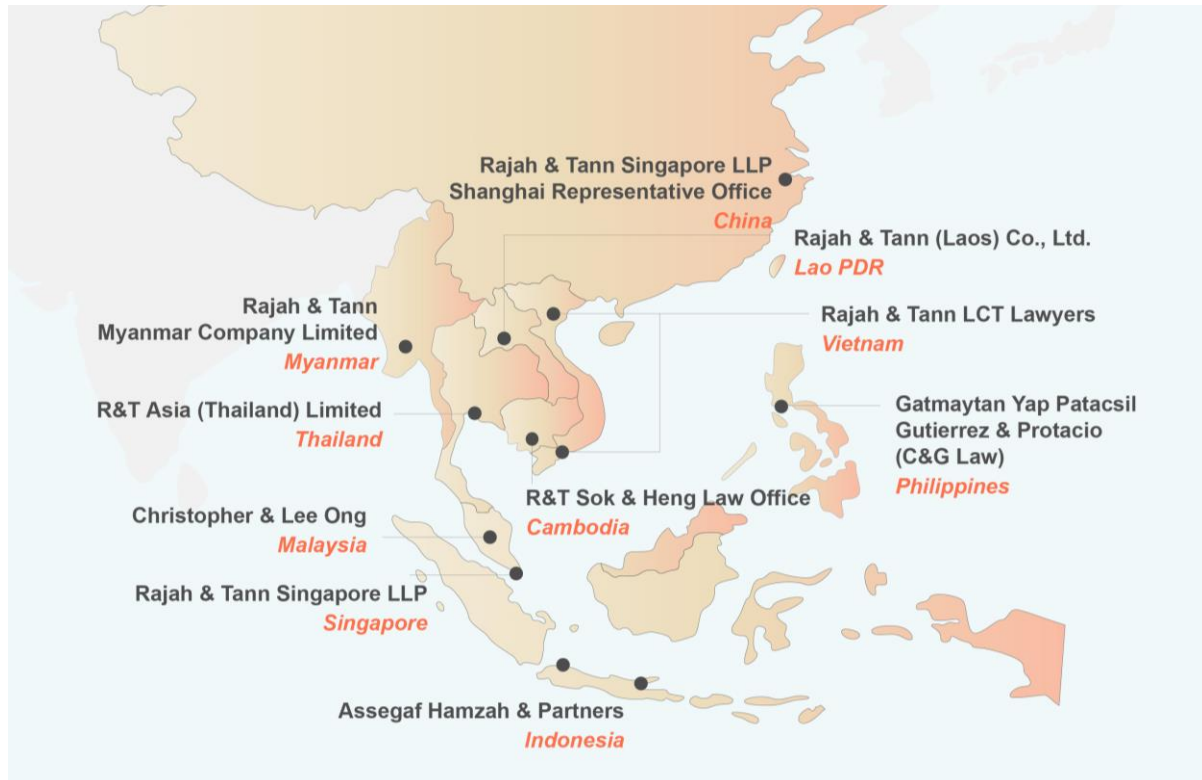
T +84 24 3267 6127  
F +84 24 3267 6128  
www.rajahtannlct.com

Rajah & Tann Asia is a network of legal practices based in Asia.

Member firms are independently constituted and regulated in accordance with relevant local legal requirements. Services provided by a member firm are governed by the terms of engagement between the member firm and the client.

This update is solely intended to provide general information and does not provide any advice or create any relationship, whether legally binding or otherwise. Rajah & Tann Asia and its member firms do not accept, and fully disclaim, responsibility for any loss or damage which may result from accessing or relying on this update.

## Our Regional Presence



Rajah & Tann Singapore LLP is one of the largest full-service law firms in Singapore, providing high quality advice to an impressive list of clients. We place strong emphasis on promptness, accessibility and reliability in dealing with clients. At the same time, the firm strives towards a practical yet creative approach in dealing with business and commercial problems. As the Singapore member firm of the Lex Mundi Network, we are able to offer access to excellent legal expertise in more than 100 countries.

Rajah & Tann Singapore LLP is part of Rajah & Tann Asia, a network of local law firms in Cambodia, China, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Our Asian network also includes regional desks focused on Brunei, Japan and South Asia.

The contents of this Update are owned by Rajah & Tann Singapore LLP and subject to copyright protection under the laws of Singapore and, through international treaties, other countries. No part of this Update may be reproduced, licensed, sold, published, transmitted, modified, adapted, publicly displayed, broadcast (including storage in any medium by electronic means whether or not transiently for any purpose save as permitted herein) without the prior written permission of Rajah & Tann Singapore LLP.

Please note also that whilst the information in this Update is correct to the best of our knowledge and belief at the time of writing, it is only intended to provide a general guide to the subject matter and should not be treated as a substitute for specific professional advice for any particular course of action as such information may not suit your specific business and operational requirements. It is to your advantage to seek legal advice for your specific situation. In this regard, you may call the lawyer you normally deal with in Rajah & Tann Singapore LLP or email Knowledge & Risk Management at [eOASIS@rajahtann.com](mailto:eOASIS@rajahtann.com).