

FinancialQuotient

What is property tax?

Simon Poh

WHAT DOES IT MEAN?

Well recognised as one of the most sustainable forms of wealth tax to generate revenue for a government, property tax is a levy on ownership of any immovable property, including land. The onus of payment is on the person who has a legal or beneficial interest in the property.

The tax is payable whether the property is occupied by the owner, rented out or left vacant.

The prevailing property tax rate is 10 per cent of the annual value (AV) for non-residential properties such as commercial and industrial buildings. However, to ensure the progressivity of the tax structure for residential properties, the rates for owner-occupied residential properties range from 4 per cent to 16 per cent with the first \$8,000 of AV fully exempt from tax.

On the other hand, for non-owner-occupied residential properties, the property tax rates range from 10 per cent to 20 per cent, regardless of whether the property

is rented out or left vacant.

The AV of a property is the base value used by the Inland Revenue Authority of Singapore (Iras) to determine the owner's property tax liability. It is an estimate of the annual rental income that the property can fetch in the market, excluding furniture, fittings and maintenance fees.

It is determined based on estimated market rentals of similar properties and not on the actual rental income received. The AV takes into account factors such as location, size, conditions and other physical attributes of the property.

WHY IS IT IMPORTANT?

Property tax is payable annually by owners of properties and the payment is due on Jan 31 of each year. The property tax bill will normally be sent by the end of each year. For bills due to new assessments or reassessments, owners are given one month to settle from the date of the bill. Giro deduction can be arranged for up to 12 interest-free instalments.

Notwithstanding any objection, the tax assessed has to be fully paid while waiting for the outcome.

A 5 per cent penalty will be imposed on any unpaid property tax

where payment is not received by the due date.

Iras can take further enforcement actions to recover this tax if it continues to remain unpaid.

IF YOU WANT TO USE THE TERM, JUST SAY:

Potential buyers of properties must take into account the annual property tax payable once they become owners.

• The writer is Associate Professor (Practice) of the Department of Accounting at NUS Business School.