

# Property stamp duties, subsidies becoming a means to redistribute

By making it more expensive to invest in high-end properties, fiscal coffers are boosted while taming the buying frenzy

**Sing Tien Foo**

The hikes in buyer's stamp duty (BSD) announced in Budget 2023 by Deputy Prime Minister and Finance Minister Lawrence Wong will kill two birds with one stone.

The BSD has been a longstanding mechanism to cool the property market, in raising the transaction cost of property investments and slowing the momentum in the private housing price index growth that

has remained positive for 11 straight quarters since 2020.

It has now become a convenient tool to raise government revenues.

## A DE FACTO WEALTH TAX

Increasing the top-tiered BSD rates for residential and non-residential properties means those with the resources must fork out more in taxes, with the policy impacting six in 10 non-residential property buyers and one in seven home buyers.

With BSD being a broad-based duty levied on all buyers, including Singaporean citizens buying a cushy home, a rush to finalise sales must have ensued after Mr Wong's announcement on Tuesday. Buyers given the Option to Purchase by Feb 14 will not be subject to the new rates if they exercise this before March 7.

When a sweeping range of cooling measures on the Singapore residential market was announced in 2018, panic buying broke out across showflats in Singapore, with 1,000 units sold across Riverfront Residences in Hougang, Stirling Residence in Queenstown and Park Colonial in Woodleigh in under five hours.

With the BSD hikes kicking in, a Singapore citizen buying the average \$1.961 million, 929 sq ft apartment at AMO Residence in Ang Mo Kio, the most popular project launched in December 2022, has to pay \$67,665 in stamp duty, assuming this is his first property. Compare this with \$63,052 if the transaction had taken place before Tuesday.

This same purchase is estimated to hit Singapore permanent residents (PRs) and foreigners hard. They must also fork out an additional buyer's stamp duty (ABSD) of 5 per cent

and 30 per cent respectively. This means PRs and foreigners would have to put down a total of \$165,730 and \$656,054 respectively inclusive of ABSD.

The overall effect of higher stamp duties may be to prod Singapore PRs and foreign buyers to recalibrate their investment strategies, especially when compounded stamp duties make buying a second or subsequent property exorbitant.

At the same time, the move is likely to dissuade housing purchases by the better-off middle class, especially HDB upgraders who are more sensitive to any uptick in housing costs.

On the other hand, at the higher end of the market, where a \$10 million transaction may mean paying \$539,600 in stamp duties, this amount constitutes only a fraction of the sale price and may do little to change

the decision of the wealthy, even though these stamp duties alone could have bought a five-room Build-To-Order flat in 2022.

## BUT HDB DWELLERS ARE PROTECTED

The BSD's tiered nature has also been carefully designed to shield HDB flat buyers from hikes. The \$1.5 million price threshold set for the higher-tiered BSD rate of 5 per cent is higher than even the most expensive resale HDB unit transacted to date – a premium loft unit at Dawson, Queenstown, which sold for \$1.418 million.

If anything, the slew of Budget 2023 housing measures has overwhelmingly benefited aspiring and present HDB unit owners. Those looking to buy a resale HDB flat do not have to pay the higher BSD, yet will receive larger CPF housing

grants of \$80,000 when buying two-room to four-room flats and \$50,000 for five-room and bigger units.

But will the BSD hikes cause more private home owners to exit the private property market, snap up an HDB flat, and create a surge of demand in an already hot HDB resale market? This is unlikely when the cooling measures of 2022 – requiring private home owners to wait 15 months before purchasing a resale HDB flat – remains in place.

The bigger takeaway from the suite of housing measures in Budget 2023 is that these seek to build on Singapore's progressive framework – by taxing high-income individuals and foreigners who buy properties more to boost government coffers.

At the same time, public housing policy also redistributes some of such revenues to first-time young families by giving them higher subsidies when buying their HDB flats, from either the resale or BTO markets.

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