

Our Ref: PC 03-14

Date: 6 March 2014

**Key Executive Officers**

Dear Sir/Madam

Effective Date: 22 February 2014

**PRACTICE CIRCULAR ON BUDGET 2014: STREAMLINING THE STAMP DUTY RATE STRUCTURE**

We refer to the attached IRAS' e-Tax Guide on Budget 2014: Streamlining the Stamp Duty Rate Structure. The Minister for Finance, in his 2014 Budget Statement, introduced changes to the rate structure of the following types of stamp duty from a dollar-based to a percentage-based rate structure:

- Buyer's stamp duty
- Share transfer duty
- Lease duty
- Mortgage duty

For lease duty, there are also changes to the basis of calculation to ensure consistency in stamp duty treatment across leases of different lease periods.

2. The changes have taken effect on 22 Feb 2014.
3. Please disseminate the information to your salespersons. Estate Agents and salespersons shall act in accordance with these changes when advising consumers and/or performing estate agency work related to stamp duty on instruments executed on or after 22 Feb 2014.
4. Thank you.

Yours sincerely,

Chan Kwok Cheong  
Deputy Director (Policy and Planning)  
Council for Estate Agencies

# **IRAS e-Tax Guide**

**Budget 2014: Streamlining the Stamp Duty Rate Structure**



INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

Superseded

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# Stamp Duty : Streamlining the Stamp Duty Rate Structure

## 1 Aim

1.1 This guide explains the stamp duty changes as introduced in Budget 2014 on 21 Feb 2014.

## 2 At a Glance

2.1 Stamp duty is payable on instruments relating to :

- acquisition, disposal, lease or mortgage of immovable properties, and
- acquisition or mortgage of stocks or shares.

2.2 The Minister for Finance, in his 2014 Budget Statement, introduced changes to the rate structure of the following types of stamp duty from a dollar-based to a percentage-based rate structure : -

- Buyer's stamp duty
- Share transfer duty
- Lease duty
- Mortgage duty.

For lease duty, there are also changes to the basis of calculation to ensure consistency in stamp duty treatment across leases of different lease periods.

All duties<sup>1</sup> payable will be rounded down to the nearest dollar.

The summaries of the stamp duty treatment with effect from 22 Feb 2014 and before 22 Feb 2014 are provided in Annexes A and B of this guide.

2.3 The above changes are applicable to instruments executed on or after 22 Feb 2014.

## 3 Streamlining the Stamp Duty Rate Structure

### 3.1 Buyer's Stamp Duty (BSD)

BSD is calculated by applying the BSD rates to the purchase price or market value of the property, whichever is higher. The BSD rates before and after the 2014 Budget changes are as follows: -

#### **i. Before 22 Feb 2014**

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<sup>1</sup> Subject to a minimum duty of \$1.

	<b>BSD Rates</b>
Every \$100 or part thereof of the first \$180,000	\$1
Every \$100 or part thereof of the next \$180,000	\$2
Every \$100 or part thereof of the remainder	\$3

## ii. On and After 22 Feb 2014

	<b>BSD Rates</b>
First \$180,000	1%
Next \$180,000	2%
Remainder	3%

The above rates are also applicable to instruments such as :

- Surrender of lease of immovable property where consideration is paid, and
- Novation of lease between tenants where consideration is paid.

## iii. Illustrations

a) Assuming a property is purchased at \$2,500,550 which is reflective of market value

<b>Computation using percentage-based rates</b>		<b>BSD</b>
1% on the first \$180,000	1% x \$180,000	\$ 1,800.00
2% on the next \$180,000	2% x \$180,000	\$ 3,600.00
3% on the remainder	3% x \$2,140,550	\$64,216.50
Total		\$69,616.50
<b>BSD payable</b> (rounded down to the nearest dollar)		<b>\$69,616.00</b>

## 3.2 Share Transfer Duty

Share transfer duty is calculated by applying the share transfer duty rate to the purchase price or market value<sup>2</sup> of the shares transferred, whichever is higher. The share transfer duty rates before and after the 2014 Budget changes are as follows: -

### i. Before 22 Feb 2014

	<b>Share Transfer Duty Rate</b>
Every \$100 or part thereof	\$0.20

### ii. On and After 22 Feb 2014

Share transfer duty payable<sup>3</sup> is 0.2% of the purchase price or market value of shares transferred, whichever is higher.

### iii. Illustrations

a) Assuming a share transfer at \$3,550 which is reflective of market value.

$$\begin{aligned}\text{Share transfer duty} &= 0.2\% \times \$3,550 \\ &= \$7.10 \\ &= \mathbf{\$7.00} \text{ (rounded down to the nearest dollar)}\end{aligned}$$

<sup>2</sup> For the purpose of calculating the stamp duty payable, the market value for shares may be determined based on :

- The closing price on the Stock Exchange as at the date of the instrument for transfer of shares listed on the Stock Exchange of Singapore,
- The allotment price for transfer of shares in a newly incorporated company (a company which has been incorporated for less than 18 months from the date of the instrument) which does not own any immovable property, or
- The net asset value (NAV) for transfer of shares in a private company or a newly incorporated company which owns immovable property. The NAV should reflect the market value of immovable property as at date of share transfer.

<sup>3</sup> Subject to a minimum duty of \$1

### 3.3 Lease Duty

Lease duty is calculated by applying the lease duty rates to the average annual rent (AAR). The AAR refers to the higher of the average annual contractual or annualised market rent and includes other considerations such as payments for furniture and fittings, maintenance fee and conservancy charges where applicable.

With effect from 22 Feb 2014, the stamp duty payable for leases with lease period of 4 years or less will be calculated based on the total contractual or market rent, whichever is higher.

For leases with lease period of more than 4 years, the stamp duty payable will be calculated based on 4 times the AAR.



The lease duty rates before and after the 2014 Budget changes are shown in the tables below.

**i. Before 22 Feb 2014**

		<b>Lease Duty Rates</b>
(a) Where AAR does not exceed \$1,000		Exempted
(b) Where AAR exceeds \$1,000 :		
Lease period up to 1 year	Every \$250 or part thereof of the AAR	\$1
Lease period of more than 1 year and up to 3 years		\$2
Lease period of more than 3 years or for any indefinite term		\$4

**ii. On and After 22 Feb 2014**

	<b>Lease Duty Rates</b>
(a) Where AAR does not exceed \$1,000	Exempted
(b) Where AAR exceeds \$1,000 :	
Lease period of 4 years or less	0.4% of total rent for the period of the lease
Lease period of more than 4 years or for any indefinite term	0.4% of 4 times the AAR for the period of the lease

**iii. Illustrations**

a) Where lease period is 4 years or less

<b>Computation using percentage-based rates</b>	
<b>Lease period and rent</b>	<b>Lease Duty</b>
3 months at \$3,000 for the 1 <sup>st</sup> month \$3,000 for the 2 <sup>nd</sup> month \$4,000 for the 3 <sup>rd</sup> month	<ul style="list-style-type: none"> <li>• Total rent = \$3,000 + \$3,000 + \$4,000 = \$10,000</li> <li>• Lease duty = 0.4% x \$10,000 = <b>\$40.00</b></li> </ul>
3 years at \$2,500 per month for the 1 <sup>st</sup> year \$3,000 per month for the 2 <sup>nd</sup> year \$4,000 per month for the 3 <sup>rd</sup> year	<ul style="list-style-type: none"> <li>• Total rent = (\$2,500 + \$3,000 + \$4,000) x 12 = \$114,000</li> <li>• Lease duty = 0.4% x \$114,000 = <b>\$456.00</b></li> </ul>

4 years at \$3,500 per month for 1 <sup>st</sup> year \$4,000 per month for 2 <sup>nd</sup> year \$4,300 per month for 3 <sup>rd</sup> year \$5,300 per month for 4 <sup>th</sup> year	<ul style="list-style-type: none"> <li>Total rent = (\$3,500 + \$4,000 + \$4,300 + \$5,300) x 12 = \$205,200</li> <li>Lease duty = 0.4% x \$205,200 = \$820.80 = <b>\$820.00</b> (rounded down to the nearest dollar)</li> </ul>
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b) Where lease period is more than 4 years

Computation using percentage-based rates	
Lease period and rent	Lease Duty
5 years at \$1,800 per month for the 1 <sup>st</sup> year \$2,000 per month for the 2 <sup>nd</sup> year \$2,500 per month for the 3 <sup>rd</sup> year \$3,000 per month for the 4 <sup>th</sup> year \$3,300 per month for the 5 <sup>th</sup> year	<ul style="list-style-type: none"> <li>Total rent = (\$1,800 + \$2,000 + \$2,500 + \$3,000 + \$3,300) x 12 = \$151,200</li> <li>Average annual rent = \$151,200/5 years = \$30,240</li> <li>4 times of the average annual rent = \$30,240 x 4 = \$120,960</li> <li>Lease duty = 0.4% x \$120,960 = \$483.84 = <b>\$483.00</b> (rounded down to the nearest dollar)</li> </ul>

c) Where an original Lease was executed before 22 Feb 2014 and a Variation of Lease (VL) involving an increase in rent is executed on or after 22 Feb 2014

Example 1 – Where lease term is 4 years or less

Computation using percentage-based rates		
	Original Lease dated 1 Dec 2013	VL dated 1 May 2014
Lease period and rent	3 years at \$2,500 per month for the 1 <sup>st</sup> year \$3,000 per month for the 2 <sup>nd</sup> year \$4,000 per month for the 3 <sup>rd</sup> year	3 years at \$3,000 per month for the 1 <sup>st</sup> year \$4,000 per month for the 2 <sup>nd</sup> year \$5,000 per month for the 3 <sup>rd</sup> year
Total Rent	= (\$2,500 + \$3,000 + \$4,000) x 12 = \$114,000	= (\$3,000 + \$4,000 + \$5,000) x 12 = \$144,000
Increase in Total Rent	-	= \$144,000 - \$114,000 = \$30,000
Lease duty payable on VL	= 0.4% of the increase in Total Rent = 0.4% x \$30,000 = <b>\$120.00</b>	

Example 2 – Where lease term is more than 4 years

Computation using percentage-based rates		
	Original Lease dated 1 Dec 2013	VL dated 1 May 2014

Lease period and rent	5 years at \$1,800 per month for the 1 <sup>st</sup> year \$2,000 per month for the 2 <sup>nd</sup> year \$2,500 per month for the 3 <sup>rd</sup> year \$3,000 per month for the 4 <sup>th</sup> year \$3,300 per month for the 5 <sup>th</sup> year	5 years at \$2,000 per month for the 1 <sup>st</sup> year \$2,500 per month for the 2 <sup>nd</sup> year \$3,500 per month for the 3 <sup>rd</sup> year \$3,800 per month for the 4 <sup>th</sup> year \$4,300 per month for the 5 <sup>th</sup> year
Total Rent	= (\$1,800 + \$2,000 + \$2,500 + \$3,000 + \$3,300) x 12 = \$151,200	= (\$2,000 + \$2,500 + \$3,500 + \$3,800 + \$4,300) x 12 = \$193,200
Average Annual Rent	= \$151,200/5 = \$30,240	= \$193,200/5 = \$38,640
Total Rent (cap at 4 years)	= \$30,240 x 4 = \$120,960	= \$38,640 x 4 = \$154,560
Increase in Total Rent (cap at 4 years)	-	= \$154,560 - \$120,960 = \$33,600
Lease duty payable on VL	= 0.4% of the increase in Total Rent (cap at 4 years) = 0.4% x \$33,600 = \$134.40 = <b>\$134</b> (rounded down to the nearest dollar)	

### 3.4 Mortgage Duty

Mortgage duty is calculated by applying the mortgage duty rates to the amount of facilities granted on the mortgage.

For transfer, assignment or disposition of any mortgage or debenture, the duty is computed based on the amount transferred, assigned or disposed, including any interest which is in arrears.

The mortgage duty is subject to a maximum duty of \$500 and the rates before and after 2014 Budget changes are as follows: -

#### i. Before 22 Feb 2014

Amount of Facilities Granted / Transferred		Mortgage Duty Rates
Mortgage	Every \$1,000 or part thereof of the amount of facilities granted	\$4
Equitable Mortgage		\$2
Variation to Mortgage		\$4
Transfer, assignment or disposition of any mortgage or debenture	For every \$1,000 of the amount transferred, assigned or disposed, inclusive of interest which is in arrear	\$2

#### ii. On and After 22 Feb 2014

Amount of Facilities Granted / Transferred		Mortgage Duty Rates
Mortgage	Based on the amount of	0.4%

Equitable Mortgage	facilities granted on the mortgage	0.2%
Variation to Mortgage		0.4%
Transfer, assignment or disposition of any mortgage or debenture	Based on the amount transferred, assigned or disposed, inclusive of interest which is in arrear	0.2%

### iii. Illustrations

a) Assume the facilities of \$250,000 granted on the mortgage

$$\begin{aligned}
 \text{Mortgage duty} &= 0.4\% \times \$250,000 \\
 &= \$1,000 \\
 &= \mathbf{\$500.00} \text{ (maximum duty)}
 \end{aligned}$$

b) Assume the facilities of \$90,500 granted on the mortgage

$$\begin{aligned}
 \text{Mortgage duty} &= 0.4\% \times \$90,500 \\
 &= \mathbf{\$362.00}
 \end{aligned}$$

## 4 Administrative Procedure

### 4.1 Date of Stamping and Payment Due Date

An instrument is considered to be duly stamped upon full payment of stamp duty. The full amount of stamp duty (including Additional Buyer's Stamp Duty and Seller's Stamp Duty, if applicable) must be paid within 14 days of the date of execution of the instrument. Where the instrument is executed overseas, stamp duty must be paid within 30 days of the receipt of the instrument in Singapore.

### 4.2 Stamping Procedures

Please pay stamp duty using the form available at our e-Stamping website (<https://estamping.iras.gov.sg>). Examples of the instruments and the relevant forms to use are summarised below: -

Instruments	Title of Relevant Form(s) To Be Completed
<ul style="list-style-type: none"> <li>• Acceptance to Option to Purchase</li> <li>• Exchange</li> <li>• Letter of Authority</li> <li>• Sale and Purchase Agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Sale &amp; Purchase of Immovable Property</li> <li>• Sale &amp; Purchase of Immovable Property (Seller's Stamp Duty)</li> </ul>
<input type="checkbox"/> Novation of lease between tenants where consideration is paid	<input type="checkbox"/> Novation / Assignment of Lease Between Tenants

<input type="checkbox"/> Surrender of lease of immovable property where consideration is paid	<input type="checkbox"/> Surrender of Lease
<input type="checkbox"/> Share Transfer	<input type="checkbox"/> Share Transfer
<input type="checkbox"/> Transfer by way of gift	<input type="checkbox"/> Transfer of Immovable Property/Land/Stocks or Shares by Way of Gift
<ul style="list-style-type: none"> <li>• Acceptance to Option to Lease</li> <li>• Agreement for Lease</li> <li>• Lease</li> <li>• Tenancy Agreements</li> </ul>	<input type="checkbox"/> Lease/Tenancy of Immovable Property
<ul style="list-style-type: none"> <li>• Supplemental Lease</li> <li>• Variation of Lease</li> </ul>	<input type="checkbox"/> Variation of Lease
<ul style="list-style-type: none"> <li>• Deed of Assignment</li> <li>• Mortgages</li> </ul>	<ul style="list-style-type: none"> <li>• Mortgages</li> <li>• Equitable Mortgage</li> <li>• Transfer of Mortgage</li> </ul>

#### 4.3 Implication of Non-payment of Stamp Duty

If a party liable fails to pay stamp duty, the instrument is considered not duly stamped. Non-stamping of instrument without any lawful excuse is an offence.

Audit checks will be conducted. If IRAS discovers any case of unpaid stamp duty, penalties will be imposed on the unpaid duty. Under the Stamp Duties Act, a penalty of up to 4 times the amount of unpaid duty can be imposed.

## 5 **Frequently Asked Questions**

### General

**Q1. My tenancy agreement is dated 22 Feb 2014. Can I pay stamp duty based on the old rates?**

No, since the instrument is dated 22 Feb 2014, the new rates apply.

**Q2. Other than rent of the property, I have to pay for the furniture & fittings and service charge. Are these considered part of the total rent chargeable with stamp duty?**

Yes, total rent is to include the following, where applicable, but exclude GST charge:

- Base rent or fixed rent and any additional rent or variable rent
- Service charge
- Maintenance charge
- Advertising and promotion charge

- Furniture / fitting charge
- Any other charge in connection with the lease

## Payment

### **Q3. How do I pay stamp duty?**

Where stamp duty is payable, payment can be done via the e-Stamping website (<https://estamping.iras.gov.sg>) using the relevant form.

For details on payment modes, you may wish to access our website at [www.iras.gov.sg](http://www.iras.gov.sg) > Stamp Duty > How do I pay Stamp Duty.

### **Q4. When must stamp duty be paid?**

Stamp duty must be paid within 14 days from the date of the instrument. Where the instrument is executed (signed) overseas, stamp duty must be paid within 30 days of the receipt of the Contract or Agreement in Singapore.

An instrument is considered to be duly stamped only when stamp duty is fully paid. Audit checks will be conducted by IRAS to ensure that stamp duties are duly paid. Under the Stamp Duties Act, a penalty of up to 4 times the amount of unpaid duty can be imposed.

### **Q5. My tenant is liable to pay stamp duty on the Tenancy Agreement. How do I ensure that the stamp duty is duly paid?**

You can ask for a copy of the stamp certificate from your tenant or his agent as proof that stamp duty has been paid.

The authenticity of the stamp certificate may be verified via the e-Stamping website (<https://estamping.iras.gov.sg>) under **Verify Stamp Certificate Authenticity**.

## Compliance

### **Q6. Will I be penalised if I fail to pay stamp duty?**

Yes, if you fail to pay stamp duty, a penalty of up to 4 times the duty payable may be imposed.

### **Q7. Can the contracting parties change the date of instrument to avoid paying higher duty?**

No. Evading or paying less stamp duty by executing an instrument where facts and circumstances are not fully and truly set forth is an offence under Section 62 of the Stamp Duties Act. Any person guilty of such an offence shall be liable on conviction to a fine of up to \$10,000 or to imprisonment for a term of up to 3 years or to both.

## **6 Contact information**

For enquiries on this e-Tax Guide, please contact :

Property Tax Division  
Valuation and Stamp Duty Branch  
Inland Revenue Authority of Singapore  
55 Newton Road  
Revenue House  
Singapore 307987

Tel : 6351 3697 / 6351 3698

Fax : 6351 3694

Email : [estamp@iras.gov.sg](mailto:estamp@iras.gov.sg)

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**Annex A – Stamp Duty Rate Structure with effect from 22 Feb 2014**

		<b>SD rates (New)</b>
<b>(i) Buyer's stamp duty</b>		
Based on the purchase price or market value, whichever is higher		
- First \$180,000		1%
- Next \$180,000		2%
- Remainder		3%
<b>(ii) Share transfer duty</b>		
Based on the purchase price or market value, whichever is higher		0.2%
<b>(iii) Lease duty</b>		
(a) Where average annual rent does not exceed \$1,000		Exempted
(b) Where average annual rent exceeds \$1,000 :		
Lease period of 4 years or less		0.4% of total rent for the period of the lease
Lease period of more than 4 years or for any indefinite term		0.4% of 4 times the average annual rent for the period of the lease
<b>(iv) Mortgage duty (subject to a maximum duty of \$500)</b>		
Mortgage	Based on the amount of facilities granted on the mortgage	0.4%
Equitable Mortgage		0.2%



Variation to Mortgage		0.4%
Transfer, assignment or disposition of any mortgage or debenture	Based on the amount transferred, assigned or disposed, inclusive of interest which is in arrear	0.2%

#### Annex B – Stamp Duty Rate Structure before 22 Feb 2014

	SD rates (Old)
<b>(i) Buyer's stamp duty</b>	
Based on the purchase price or market value, whichever is higher	
- Every \$100 or part thereof of the first \$180,000	\$1
- Every \$100 or part thereof of the next \$180,000	\$2
- Every \$100 or part thereof of the remainder	\$3
<b>(ii) Share transfer duty</b>	
Based on the purchase price or market value, whichever is higher	
- Every \$100 or part thereof	\$0.20
<b>(iii) Lease duty</b>	

(a) Where average annual rent does not exceed \$1,000		Exempted
(b) Where average annual rent exceeds \$1,000 :		
- Lease period up to 1 year	Every \$250 or part thereof of the average annual rent	\$1
- Lease period of more than 1 year and up to 3 years		\$2
- Lease period of more than 3 years or for any indefinite term		\$4
<b>(iv) Mortgage duty (subject to a maximum duty of \$500)</b>		
Mortgage	Based on the amount of facilities granted on the mortgage	\$4
Equitable Mortgage		\$2
Variation to Mortgage	- Every \$1,000 or part thereof	\$4
Transfer, assignment or disposition of any mortgage or debenture	- For every \$1,000 of the amount transferred, assigned or disposed, inclusive of interest which is in arrears.	\$2