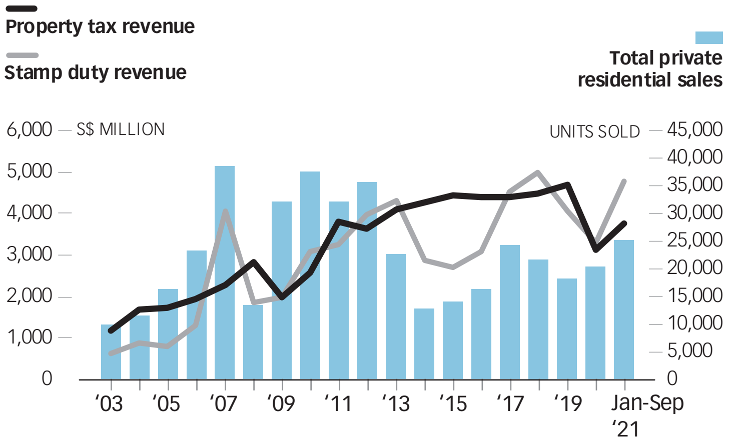
Cooling measures and tax revenues

THE sustained bullishness in Singapore's private residential market has led to growing concerns over the possibility of fresh cooling measures in the near future. The NUS Institute of Real Estate and Urban Studies (IREUS) looks at how tax revenue levels have varied over the years following past rounds of cooling measures, which have included higher stamp duties and stricter loan restrictions. ***BY FIONA LAM***

Dip in demand

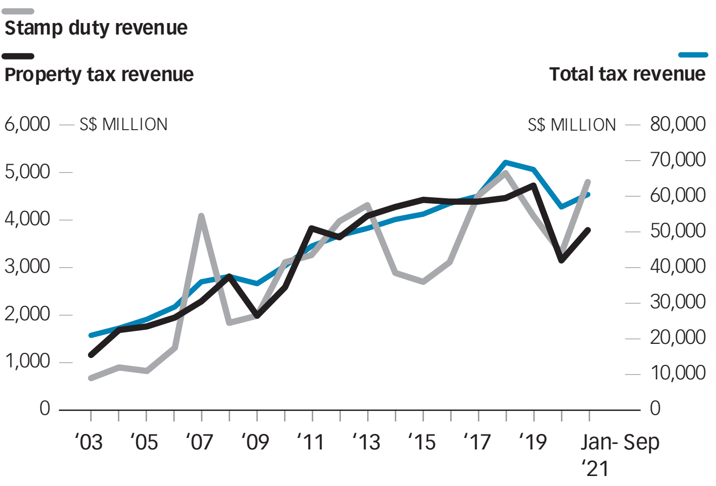


While it seems intuitive that increasing stamp duties would boost the government's revenues, this premise is true only if the greater tax burden does not soften housing demand, IREUS deputy director Lee Nai Jia notes. If the market demand is in fact weakened as a result, any higher stamp duties could instead translate into lower tax revenues.

A case in point was the July 2018 round of property curbs, which included higher additional buyer's stamp duty (ABSD) rates for Singaporeans and permanent residents buying their second and subsequent residential properties. With the new rules in place, sales of private housing shrank by 16 per cent to 18,188 units in 2019, from 21,673 units in 2018. At the same time, stamp duties collected in 2019 fell about 18 per cent to S$4.08 billion, down from S$5 billion in the previous year and also falling below the S$4.51 billion in 2017.

However, property tax revenue moved in the opposite direction, rising to S$4.71 billion in 2019, from S$4.48 billion. This could be partly due to the price stickiness and strong performance of the other real estate sectors aside from housing, Dr Lee says. In Singapore, property tax is applied on the ownership of residential properties as well as non-residential assets such as industrial or commercial buildings and land.

Little impact on total revenues



Even with the cooling measures in place over the past decade, the government's overall tax revenues have not been significantly affected. Collections of corporate income tax, personal income tax and the Goods and Services Tax (GST) have also helped flatten out dips in property tax revenue.

- After the total debt servicing ratio (TDSR) was implemented in 2013, private home sales plunged by 43 per cent in 2014 and stamp duty collection in turn dropped by some 33 per cent. In contrast, total tax revenue collected went up by 4.8 per cent over the same period.
- In 2018, with the most recent round of cooling measures, the higher personal income tax and corporate income tax revenues offset the decline in stamp duties collected.

For the first 9 months of 2021, corporate tax revenue and stamp duty revenue both surged 121 per cent from 2020's full-year levels, IREUS notes. Property tax revenue this January to September climbed 64 per cent from last year, while personal income tax and GST collected went up by 13 per cent and 20 per cent, respectively.

Dr Lee flags that any additional cooling measures could disrupt the economy's recovery, which is still at a nascent stage, and possibly entail the loss of some tax revenues that may be needed to support businesses and individuals affected by the pandemic. However, the costs may be justifiable if the property market becomes overheated and threatens to destabilise the economy, he adds.

Sources: Accountant-General's department, URA Realis, IREUS