

PROPERTY TAX REBATE FOR OWNER-OCCUPIED RESIDENTIAL PROPERTIES

INTRODUCTION

1. The Minister for Finance, in his FY93 Budget Speech, announced a property tax rebate for owner-occupied residential properties to offset the effect of the Goods and Services Tax (GST). The tax rebate will take effect from 1st April 1994, the scheduled implementation date of the GST. This tax rebate is to help lower-income families who are owner-occupiers of HDB flats and lower-end private properties cope with the GST. The revenue loss from this tax rebate is estimated at \$69 million per annum.
2. The purpose of this Note is to clarify how the rebate will be given.

ADMINISTRATIVE PRACTICE

3. **Eligible Property**

3.1 Residential properties meeting the following criteria will be given the tax rebate:

- (a) the annual value is less than \$10,000; and
- (b) the tax payable is at the owner-occupier's rate of 4%.

4. **Quantum of Rebate**

4.1 The tax rebate is on a sliding scale. Smaller HDB flats and lower-value private properties will qualify for a higher amount of tax rebate. This is to focus the benefit of the tax rebate on lower-income families. The scale is as follows:

<u>Annual Value Range</u>	<u>Annual Tax Rabate</u>
\$1 to \$5,000	\$150 or the actual annual tax, whichever is the lower.
\$5,001 to \$6,000	\$125
\$6,001 to \$7,000	\$100
\$7,001 to \$8,000	\$75
\$8,001 to \$9,000	\$50
\$9,001 to \$9,999	\$25
\$10,000 and above	No Rebate

4.2 The scale of the tax rebate works in the following manner. The same annual tax rebate of \$100 will apply to a property with an annual value of \$6,300 and another with an annual value of \$6,900 as they are both in the annual value range of \$6,001 to \$7,000. For properties with annual values of \$5,000 or less, the actual annual tax will be rebated to the maximum amount of \$150.

5. **Change in Annual Value**

- 5.1 As annual value is determined based on market rentals, it has to be reviewed when there is a change in the market rental at which the property can be let. This can be due to changes in market conditions or physical changes to the property. When the annual value of a property changes such that it goes into another annual value range, the tax rebate will be adjusted to the amount corresponding to the new annual value range. The adjustment will take effect from the date of the change in annual value. For instance, when the annual value is revised from \$8,400 to \$7,200 on 1st July 1995 the annual tax rebate will be adjusted from \$50 to \$75 from 1st July 1995. The tax computation will be as follows:

Before 1st July 1995

Annual tax without rebate
= annual value of \$8,400 @ 4% = \$336

Annual tax with rebate
= \$336 less tax rebate of \$50 = \$286

From 1st July 1995

Annual tax without rebate
= annual value of \$7,200 @ 4% = \$288

Annual tax with rebate
= \$288 less tax rebate of \$75 = \$213

- 5.2 When the annual value of a property is revised downwards to below \$10,000, the tax rebate will be given from the date of the change in annual value. Similarly, the tax rebate will cease to apply from the date when the annual value is revised upwards to \$10,000 or more.

6. **No Rebate on Surcharge**

- 6.1 The tax rebate will not apply to any surcharge on property tax levied under The Property Tax (Surcharge) Act.

7. **“No tax” Cases**

- 7.1 Properties with their taxes fully rebated will continued to be in the Valuation List. Their annual values, like those of all other properties, will continue to be reviewed according to changes in market rental.

8. **Application for Rebate**

8.1 No application is needed. The rebate will be given automatically. It will be clearly shown in the property tax bill as a deduction against the tax payable.