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REINSTATEMENT OF PROPERTY TAX EXEMPTION FOR APPROVED BUILDING PROJECTS



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REINSTATEMENT OF PROPERTY TAX EXEMPTION FOR APPROVED BUILDING PROJECTS

Property tax exemption for land under development was first implemented in 1987 to help businesses tide over the economic downturn during the years 1986 and 1987. It was withdrawn in 1995 [except for approved building projects (ABPs)] but was reinstated in 1998 due to the difficulties faced by the property sector then. It was subsequently withdrawn in 2000¹ when the property market started to recover. Then, the Government also decided not to reinstate the property tax exemption scheme for approved building projects, which was previously put in place when property tax exemption for land under development was withdrawn in 1995, pending its review of the scheme.

2 The Government has recently completed its review of the property tax exemption scheme for ABPs. As the scheme is considered a useful tool in supporting efforts to attract large-scale projects to Singapore, which will create substantial spin-offs and benefits for Singapore, the Government has decided to reinstate it with effect from 1st May 2001. This decision has been implemented via Property Tax (Exemption of Land Under Development) Order 2001, which was gazetted on 27 April 2001.

3 This note explains the above property tax change.

Eligibility For Exemption

4 The conditions to qualify projects for the reinstated property tax exemption scheme for ABPs are essentially similar to those put in place under the 1995 scheme. However, unlike the earlier scheme, the maximum period an ABP can enjoy property tax exemption under the current scheme has been shortened from 5 to 3 years. For ease of reference, these conditions are set out in paragraphs 5 and 6 below.

5 For any project to qualify as an ABP under the property tax exemption scheme for ABPs, the project must meet **all** the following conditions:

- (a) its date of commencement of foundation works is on or after 1st May 2001;
- (b) it must have the support of Economic Development Board; and
- (c) it is one which costs at least \$500 million (excluding land costs).

6 A project that costs less than \$500 million (i.e. cannot meet condition (c) above) can qualify to be an ABP if the Minister is satisfied that the project will create substantial spin-offs and benefits for Singapore

¹ Please refer to item (D)(2) of Budget 2000 : Explanatory Notes On The Tax Changes Announced for more details of this property tax change in 2000.

Period of Exemption

7 Once a project is granted ABP status by the Minister for Finance, it can enjoy property tax exemption from the date of commencement of foundation works (CFW date) to the earlier of:

- (i) the date of expiry of a period of 3 years from CFW date; or
- (ii) the TOP date, or where TOP is not issued, the CSC date.

Application and Administrative Requirements

8 Any owner who wishes to apply for ABP status for his project to qualify for property tax exemption under the scheme is required to make an application in a prescribed form to the Minister within 6 months of the date of written permission granted under the Planning Act (Cap. 232) to develop the building project, unless otherwise allowed by the Minister. A copy of the prescribed application form is obtainable from the EDB/IRAS. EDB/IRAS will process any such application made by owners for Minister's approval, and will also convey the Minister's decision on such applications to the owners.

9 Upon obtaining the ABP status on his project, an owner must lodge a claim form with the Comptroller of Property Tax (CPT), within 6 months of the date of commencement of foundation works, unless otherwise approved by CPT, to enable the CPT to accord property tax exemption to the project from the date of the commencement of foundation works onwards, up to a maximum of 3 years. The claim form is obtainable from EDB/IRAS.