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WITHDRAWAL OF PROPERTY TAX EXEMPTION FOR LAND UNDER DEVELOPMENT



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WITHDRAWAL OF PROPERTY TAX EXEMPTION FOR LAND UNDER DEVELOPMENT

Withdrawal of Property Tax Exemption for Land under Development

Property tax exemption for land under development was reinstated* by the Government in 1998 due to the difficulties faced by the property sector then. The property market has since shown signs of recovery. Property transaction volume and the property price index have also picked up. Residential land sales have also resumed this year. Given these reasons, there is no need to continue granting the tax exemption for new projects. ***Minister has therefore decided to withdraw the tax exemption with effect from 26th February 2000.***

With the withdrawal, property tax exemption will not be given to all development projects** where:

- (a) a valid permit to commence or carry out building works under section 7 of the Building Control Act (Cap. 29) for the project is obtained on or after 26th February 2000; ***or***
- (b) foundation works for the project commence on or after 26th February 2000.

Certain projects still qualify for tax exemption

However, ongoing development projects can still qualify for tax exemption if they meet the conditions set out in the Property Tax (Exemption of Land Under Development) Order 1998 (hereinafter referred to as the "1998 PT Order"). In other words, subject to conditions in the 1998 PT Order being met, a developer can still enjoy property tax exemption for his development project for specified period as follows:

- (a) ***where property tax exemption has been given before 26th February 2000*** to a development project under the 1998 PT Order, the developer can continue to enjoy the property tax exemption in respect of his development project for the remaining exemption period. Under the 1998 PT Order, tax exemption is given for the period commencing from the effective date# to the earlier of the following dates:
 - (i) the date of expiry of 5 years from the effective date; ***and***
 - (ii) the date of issue of the Temporary Occupation Permit (TOP), or where the TOP is not issued, the date of issue of the Certificate of Statutory Completion (CSC).
- (b) ***where property tax exemption has not been given % before 26th February 2000*** to a development project under the 1998 PT Order, the development project can still qualify for property tax exemption under the 1998 PT Order for the abovementioned period if the following conditions are met:

- (i) a valid permit to commence or carry out building works under section 7 of the Building Control Act (Cap. 29) has been obtained for the development project before 26th February 2000; **and**
- (ii) foundation works for the project have commenced before 26th February 2000.

The Property Tax (Exemption of Land Under Development) (Revocation) Order 2000 has been gazetted to effect this tax change.

Footnotes :

* 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 endorsed by EDB.

** The property tax exemption available for Approved Building Projects, which was previously provided for in the 1995 PT Order is currently under review. Review completed and see decision in 2001 under Property Tax Exemption for Approved Building Project extended wef 1 May 2001.

Under the 1998 PT Order, this will be a date on or after 27 February 1998. The property tax exemption for land under development was reinstated with effect from 27 February 1998. Under the 1998 PT Order, for development projects whose foundation work commenced before 27 February 1998, the effective date of property tax exemption period is 27 February 1998. In such cases, the tax exemption period will expire 5 years from 27 February 1998 or the date of issue of TOP/CSC whichever is the earlier. For development projects whose foundation works commenced on or after 27 February 1998, the effective date of the property tax exemption is the date of commencement of foundation works. In such cases, the tax exemption period will expire 5 years from the effective date or the date of issue of TOP/CSC whichever is earlier.

% This will include cases where a developer has submitted his application for tax exemption to IRAS prior to 26 February 2000 which IRAS has yet to process or cases where a developer has not submitted his application to IRAS.