INLAND REVENUE
AUTHORITY
OF SINGAPORE

IRAS e-Tax Guide

Investor's Guide to Property Tax
(Fifth Edition)

Published by
Inland Revenue Authority of Singapore

Published on 30 Jan 2026

First edition on 22 Jun 2006
Second edition on 2 Sep 2014
Third edition on 1 Apr 2017
Fourth edition on 11 Aug 2025

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1. Aim

This guide provides general property tax information to investors who develop properties for the purpose of carrying out their business operations in Singapore.

2. At A Glance

This guide covers the following:

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c. the tax base, i.e. annual value

d. who is liable for tax

e. methods of determining annual value

f. circumstances warranting a revision to the annual value

g. circumstances warranting a back-recovery of taxes

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3. Glossary

3.1. Property Tax

Property tax is a tax on immoveable properties. It is a wealth tax based on property ownership.

3.2. Annual Value

Annual Value for a house, building or land or tenement is defined as the *gross amount* at which the same can reasonably be expected to be let from year to year, the *landlord* paying the expenses of repair, insurance, maintenance or upkeep and all taxes (other than GST).

For a wharf, pier, jetty or landing-stage, it is the *gross amount* at which the same can reasonably be expected to be let from year to year, the *tenant* paying the expenses of repair, insurance, maintenance or upkeep.

3.3. Valuation List

The Valuation List is a list prepared by the Chief Assessor comprising all houses, buildings, lands and tenements. It contains the following information:

a. description or designation of property sufficient for identification
b. name of owner
c. annual value of property
d. any other particulars the Chief Assessor considers necessary

3.4. Owner

Any person, who receives rent or is entitled to receive the rent if the premises were let to a tenant, shall be deemed to be the owner for property tax purposes. This includes any agent, trustee or receiver. Owner also refers to any person whose name is entered into the Valuation List. Any grantee or lessee of a property comprises in a State lease, state land grant, or a lease of property by a public authority for a period exceeding three years shall also be deemed to be the owner for property tax purposes.

3.5. Valuation Notice

Under section 20(1) of the Property Tax Act ("the Act"), a Valuation Notice may be issued by the Chief Assessor to amend the Valuation List if it appears that the Valuation List is or has become inaccurate in any year.

4. What is Chargeable to Property Tax?

4.1. Section 6(1) of the Act provides that "property tax shall be payable upon the annual value of <u>all houses, buildings, lands and tenements</u> whatsoever included in the Valuation List".

4.2. Building is defined in the Act as any structure erected on land, and it includes any house, hut, shed or similar roofed enclosure, whether used for the purposes of human habitation or otherwise, any slip, dock, wharf, pier, jetty, landing-stage, underground or overground tank for the storage of solids, liquids or gases, and any oil refinery.

4.3. The word 'land' under section 6(1) of the Act takes on its common law meaning and includes chattels annexed to the land so as to form part of the land.

4.4. Network properties comprising railway lines, pipelines, cables, ducts or any conduits or channels, used or intended to be used for circulation, distribution, transportation or transmission purposes, are regarded as tenements and taxable.

4.5. Fixed machinery refers to machinery that has been so affixed to the land or building that it has become a fixture. It is usually large machinery that is either held in place by building frames or is resting on its own weight.

5. How is Property Tax Computed?

The current property tax rate for non-residential properties is 10% per annum. Property tax is computed as:

Annual Value x 10% p.a.

6. Treatment of Fixed Machinery

Fixed machinery is not taxable if it is used directly for the making, altering, repairing, ornamenting, finishing or adapting for sale of any article. In short, machinery used directly for manufacturing of articles for sale is not taxable. Machinery belonging to and used for providing motive power to the manufacturing machinery, is also excluded from tax. However, service machinery, and fixed machinery providing peripheral or supporting functions to the manufacturing and processing activities, are taxable and cannot be excluded from the assessment of the property. For more information on the treatment of fixed machinery, please refer to the e-Tax guide "Treatment of Fixed Machinery under the Property Tax Act".

7. Who Pays?

The owner is the person liable for property tax. See Glossary paragraph 3.4 for definition of owner.

8. Estimating the Annual Value (AV) of Property

8.1 The AV of property will be determined as though it is "vacant and to let". In other words, whether the property is owner-occupied, vacant or let-out, it shall be determined assuming that the property is available for letting. This principle is to be applied even if the owner has no intention of letting out the property.

8.2 Rental Comparison Method

Also known as the market comparison method, it is the primary method of valuation and is generally preferred when comparable rentals are available. Under this approach, rents of comparable properties are referred to in deriving the annual value of a property, with appropriate adjustments made to address any differences in location, physical conditions, size, etc. If the gross rent includes the hiring of furniture and any service charge[1], a reasonable amount should be excluded from the gross rent as furniture and service charge do not fall within the scope of property tax.

In determining the annual value of properties which are rarely let and for which there is a dearth of comparable rental evidence, the following methods are commonly used.

8.3 Contractor's Test

The contractor's test basically involves the application of an interest rate or a rate of return on the capital value of a property to give an indication of the rental value of the property. This process is known as "decapitalisation" of the capital value. The capital value of the property is determined by estimating the value of the land and cost of constructing the building and improvements. A rate of return of 6% is typically used for the decapitalisation of the capital value to arrive at the annual value.

[1] For provision of services such as cleaning of premises, pest control, provision of security guards etc.

The contractor's test can be set out as follows:

Estimated freehold market value of Land and foreshore/seabed/waterfront	a	:	$1,000,000
Add:			
Value of buildings & improvements (including underground or overground storage tanks, structural network, etc)	b	:	$1,500,000
Value of slip, dock, wharf, jetty, pier, landing stage, if any	c	:	$1,000,000
Effective Capital Value (ECV)	d = a + b + c	:	$3,500,000
Net return of 6% pa on ECV	e = 6% x d	:	$210,000
Add:			
Cost of repairs & maintenance: Say, 2%[2] on value of buildings & improvements	f = 2% x b	:	$30,000
Cost of insurance: Say, 0.3%[3] on value of buildings & improvements	g = 0.3% x b	:	$4,500
Property Tax at 10% of AV	10% x AV	:	$27,200
AV	[e +f + g] / (100%-10%)]	:	$271,666
Say		:	$272,000
Property tax at 10%	10% x AV	:	$27,200

*the numbers provided in the worked example above are for illustration only.

[2] This is a rule of thumb and is not a fixed rate
[3] This is a rule of thumb and is not a fixed rate

8.4 Profit's Method

The profit's method seeks to arrive at the estimated annual rental of a property by reference to the profits that may be expected to be generated by the business which occupies the property. It assumes that the value of the property is related to the profit derived from the use of the property. It is often used for valuation of properties occupied by businesses which has a substantial degree of monopoly such as port undertakings and public utilities. However, the element of monopoly is not essential to the application of the profit's method.

The profit's method involves ascertaining gross receipts of the business from which cost of purchases and working expenses are deducted. The remainder is the divisible balance, which is to be shared between the hypothetical landlord and hypothetical tenant. A tenant's share, which is the profit or return or interest due to the hypothetical tenant for his undertaking shall be deducted from the divisible balance. Tenant's share comprises the interest in the tenant's capital investment and/or allowance for risk and profit, and it may be determined by adopting either:

a) a percentage of the divisible balance; or

b) a percentage of the tenant's capital investment in the business; or

c) a percentage of the gross receipts

The amount or quantum of tenant's share to be deducted is a question of fact. What remains after the deduction of the tenant's share is the landlord's share and this is the estimated rent for the premise and is considered to be the annual value.

The profit's method can be set out as follows:

Gross receipts	a	: $5,000,000
Less: Cost of purchase	b	: $1,000,000
Gross profits	c = a – b	: $4,000,000
Less: Working expenses (except for rental, depreciation, repairs, insurance, maintenance and	d	: $2,000,000

taxes (except GST) on immovable property)		
Divisible balance (i.e. the balance to be divided between the landlord and tenant)	e = c – d	: $2,000,000
Less: Tenant's share	f [1]	: $500,000
AV (i.e. landlord's share)	e - f	: $1,500,000
Property tax at 10%	10% x AV	: $150,000

*the numbers provided in the worked example above are for illustration only.

(1) assuming tenant's share at 25% of divisible balance in this example

8.5 Statutory Formula

In assessing the annual value of any property, the Chief Assessor may adopt 5% of the capital value of a property as its annual value, as provided under s2(6) of the Act. This approach is generally used for the assessment of vacant land, land under redevelopment, or land which is ripe for development. It may also be used in the assessment of built-up properties which are land-extensive or of specialised nature. The application of this approach is in the sole discretion of the Chief Assessor.

9. Properties Undergoing Development

9.1. Vacant Land or Land Under Construction

Investors who decided to develop their own property may buy vacant land from private owners or from the State or public authorities such as JTC Corporation. The annual value of the vacant land is typically determined at 5% of the estimated market value of the land. For any land leased from the State, or a lease by a public authority for a period exceeding 3 years (where the public authority is the lessor), the lessee is deemed the owner liable for property tax. The estimated market value of the land shall be determined on a freehold basis, even though the land may be leased on a shorter tenure. For land under construction, the estimated value of the land shall be determined at 5% of the estimated value of the land as though it is vacant land during the period of construction.

9.2. Completed Developments

Upon the completion of the development, or the issue of the Temporary Occupation Permit (TOP), the Chief Assessor will carry out a reassessment of the annual value of the property to take into account of the buildings and improvements completed on the land. If the building is occupied before the TOP is issued, the building will be assessed from the occupation date. In arriving at the revised annual value of the property, the Chief Assessor may adopt any of the valuation approaches stated under paragraph 9 above, where appropriate. At times, the tax may need to be collected retrospectively to the date of issue of TOP/date of use, if the Chief Assessor is unable to reassess the building in the same year the building is completed/used.

10. Frequency of Review of Annual Values

Annual values are reviewed annually. However, this does not mean that the annual values are adjusted annually. The annual values of properties are examined annually to ensure that they are in line with the current market condition. There is no need to amend the annual value if they are still reflective of the current market values.

11. Circumstances Where Annual Value May be Amended

The Chief Assessor shall amend the annual value of a property under the following circumstances:

a. The annual value is inaccurate as evidenced by:

   i) Changes in rental in respect of the property or comparable property

   ii) Consideration paid or value passing on the sale or transfer of property or similar property

   iii) The development cost of that or similar property

   iv) The gross takings or receipts derived from the use of that or similar property

b. Rental from the property is lower than what the property can reasonably be expected to be let;

c. A property is erected, rebuilt, enlarged, altered, improved or demolished;

d. Changes in the prescribed class[4] of any property

e. A property has not been assessed before;

f. The gross receipts arising from the use of the property for the purposes of any trade or business has changed (applicable for properties assessed by gross receipts under the Property Tax Orders).

12. Recovery of Taxes

It may at times not be possible for the Chief Assessor to assess or reassess all properties in a particular year. The Comptroller of Property Tax is thus empowered to impose a liability to tax, or increase tax, for a period beyond the current year, under certain circumstances. The tax will be collected retrospectively to a date where property tax should have been imposed, increased or amended. Any recovery of back taxes is capped at 5 years. The circumstances where recovery of tax beyond current year is necessary are as follows.

Circumstances where recovery of tax is necessary	
Event	Recover from
New building/tenement is completed	Date of its completion (date of issue of Temporary Occupation Permit (TOP) or Certificate of Statutory Completion (CSC), whichever is the earlier
A portion of the building/tenement which is under construction, is used	Date of the use of that portion
Building/tenement is rebuilt, enlarged, altered or improved	Date of its completion of the said works
Property tax is being charged for the first time	For Buildings → Date of completion of building

[4] Properties are classified under three main prescribed classes and applicable tax rates – i) owner-occupied residential properties, ii) non-owner-occupied residential properties or iii) non-residential properties.

	For properties other than Buildings → Date to be ascertained by the Comptroller
Property is a lease by the State or Public Authority for a period exceeding 3 years	Date of the transfer or date of commencement of the lease of the property by the State or Public Authority
Building/tenement which was originally vacant or occupied is subsequently let	Date of letting
Rent of building increases	Date of increase in rent, in respect of any additional tax to be recovered
Prescribed class change	Date of change of prescribed class
Property is to be redeveloped or being redeveloped	Date to be ascertained by the Comptroller
Building or part of it is demolished	Date of demolition

13. Obligation of Owners

13.1. To enable the Chief Assessor to continually update the Valuation List, owners and relevant persons are required to supply information to IRAS upon the occurrence of the following events:

Obligation of Owners		
Event	Persons Responsible	Time from Event
Sale or Transfer of Property	Vendor or Transferor	1 month
Completion of Demolition	Owner	15 Days

New Letting or Rental Increase of property *[only for tenancies where document is not stamped Under the Stamp Duties Act (cap 312)]*	Owner	15 Days
Receipt of Premium charged for letting of property	Owner	15 Days
Cessation of owner occupation	Owner	15 Days

13.2. Besides the specific events listed above, the Chief Assessor may also, as and when necessary, require owners or relevant persons to furnish any other relevant information to him for the purpose of carrying out his duties under the Act.

14. Objections and Appeals

14.1. If an owner feels that the existing annual value of his property in the Valuation List is excessive, he may lodge an objection to the Chief Assessor, at any time within the current year, and request for the annual value to be amended. Any amendment is limited to within the current year.

14.2. From time to time, the Chief Assessor may amend the annual value of a property if he is of the opinion that it is no longer accurate. The owner will be informed of the proposed annual value by way of a Valuation Notice. If there is any recovery of tax beyond the current year, the Comptroller will issue a notice for back-collection of tax, together with the Chief Assessor's Valuation Notice. If the owner thinks that the assessment is excessive, he may object to the Chief Assessor's and/or Comptroller's proposals within 30 days of the date of the notices.

14.3. Owners may file their objection via IRAS's e-services. Simply login to myTax portal in IRAS website and select property > 'Object to Annual Value' and fill in the requisite information. A prescribed form is also available for owners to lodge their objections. The owner is required to state his grounds of objection and the amendments desired in the objection form. The objection form can be downloaded from IRAS' website at www.iras.gov.sg.

14.4. The Chief Assessor will review the objection lodged by the owner, and may disallow, partially allow, wholly allow, or settle the objection with the owner. For cases which are disallowed or partially allowed, the owner may within 30 days of the decision, appeal to the Valuation Review Board (VRB), if he/she is dissatisfied with the decision.

14.5. Notwithstanding that an objection or appeal has been lodged, payment is still required to be made on the revised tax payable based on the proposed annual value by the Chief Assessor.

15. Payment and Collection

15.1. Property tax is payable yearly in advance. Generally, annual property tax bills will be sent during November and December of each year for the tax payable for the ensuing year. The due date for payment for the annual property tax is 31st January of each year. If the tax is not paid, a penalty of 5% on the tax payable will be levied. Owners are encouraged to pay their taxes by GIRO to avoid penalties for non-payment of taxes (see below for Modes of Payment).

15.2. Property tax bills may also be sent during the course of the year as and when the tax is imposed or adjusted. Where additional tax is payable due to adjustments made, payment must be made within one month of the property tax bill.

15.3. Owners who did not receive any notice from IRAS to pay property tax on their property within 6 months from 1 January each year have to notify IRAS within 14 days after the 6-month period. Failure to do so may incur a fine not exceeding $5,000.

16. Modes of Payment

Refer to IRAS Payments website for the various payment modes available for Property Tax.

GIRO is however the preferred mode of payment.

17. Electronic Valuation List (EVL)

For a fee of $2.50, the public can search the EVL for the annual value of any property in Singapore for the current year and up to past five years. Each search provides the annual value of the property and the name(s) of the owner(s). This service can be accessed through IRAS' website at www.iras.gov.sg.

18. Contact Information

For enquiries on this e-Tax Guide, please contact the Property Tax Division at www.iras.gov.sg (select "Contact Us").