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IRAS e-Tax Guide

Property Tax Treatment of En-Bloc Sales Sites
(Fifth Edition)



Property Tax Treatment of En-Bloc Sales Sites

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1. Aim

- 1.1. This guide clarifies the property tax treatment on en-bloc sales sites or developments which are collectively sold by the owners of individual units to the developer.

2. At a Glance

- 2.1. En-bloc sales sites which are bought for redevelopment shall be assessed in accordance with Section 2(6)(b)¹ of the Property Tax Act (PTA).
- 2.2. However, developers who decided to retain the original building development for lease may apply for a deferment of the assessment under Section 2(6)(b), subject to certain minimum criteria being met.
- 2.3. IRAS will resume the assessment of the property under Section 2(6)(b) when the minimum criteria are not met over a reasonable period of time, there is evidence that the developer has decided to redevelop the site, or demolition works has commenced on the building.

3. Basis of Assessment for En-Bloc Sales Sites

- 3.1. Property tax for an en-bloc sales site, like any other property, is levied at 10% of the Annual Value (AV) of the property. If the site is bought for the purpose of redevelopment, its AV, like any other development site or vacant land, is determined at 5% of its estimated market value, in accordance with Section 2(6)(b) of the Property Tax Act (PTA), notwithstanding that the building may not be demolished yet or the units may be let or occupied on a temporary basis. Hence for property tax purposes, en-bloc sites bought for redevelopment purposes are to be treated on par with any other development sites including vacant lands, which are bought by developers with similar intent to redevelop.
- 3.2. The market value of the land shall be determined on a freehold basis even though the property may be a leasehold property.

¹ Section 2(6)(b) states: In assessing the annual value of any property, the annual value of the property shall, at the option of the Chief Assessor, be deemed to be the annual value as defined in this Act or the sum which is equivalent to the annual interest at 5% ... on the estimated value of the land as if it were vacant land with no buildings erected, or being erected, thereon.

3.3. The effective date of the land assessment at 5% of its market value shall be the date of transfer or the date of vacation of all the units in the development whichever is the later, but not later than 6 months from the date of transfer of the property to the developer. Such administrative concession to delay the land assessment by up to 6 months from the date of transfer takes into consideration the industry practice of developers giving the individual sellers up to 6 months to vacate the buildings.

4. Deferment of Assessment Under Section 2(6)(b)

4.1. Notwithstanding the above, assessment under Section 2(6)(b) of the PTA may be deferred in cases where the developer intends to retain the original building development for leasing instead of redeveloping the en-bloc property.

4.2. IRAS will be guided by the following set of criteria ("minimum criteria") to decide on the deferment of the assessment under Section 2(6)(b):

- a) At least 25% of the units in the original development are let on tenancies of at least 1 year, on arm's length basis and to parties not related to the developer. There must also not be any termination clause² in these tenancy agreements to evict the tenants within the tenancy period; and
- b) The original development must be let and used for purposes approved by the authorities.

4.3. A development that is wholly let to an unrelated head tenant for a period exceeding one year may qualify for the deferment, provided that at least 25% of the units are sublet on tenancies of at least one year, and that these units are occupied by the sub-tenants.

5. Basis of AV During Deferment

5.1. The AV of the en-bloc property shall be determined on the basis of the AV of the individual building units during the period of deferment. The deferment will continue for one year from the date the criteria are met, and will be reviewed yearly thereafter.

² "Termination clause" in a tenancy agreement provides for the landlord to terminate the tenancy prematurely, with or without compensation to the tenant. This is different from "diplomatic clause" typically found in tenancy agreement which allows the tenant to terminate the tenancy prematurely in the event that the employee either leaves the country or the company.

6. Period of Deferment

- 6.1. For new application, the deferment shall commence from the date of transfer or the date of vacation of the en-bloc property, whichever is applicable, but not earlier than 12 months prior to the minimum criteria being met.
- 6.2. The deferment shall cease upon the expiry date of the tenancies that met the minimum criteria.
- 6.3. IRAS will resume the assessment of the property under Section 2(6)(b) based on 5% of the estimated land value when:
 - a) The minimum criteria are not met, or could not be met over a reasonable period of time;
 - b) There is evidence that the developer has decided to redevelop the site;
 - c) Demolition works has commenced on the building
- 6.4. If the tenancies that met the minimum criteria were renewed, deferment of assessment under Section 2(6)(b) will be extended by the period of the extended tenancies, subject to the condition that the renewed tenancies are for periods of at least one year.

7. How to Apply

Developers who wish to apply for the deferment of assessment under Section 2(6)(b) are required to submit an application form, together with the tenancy details of all the units that are leased on tenancies which meet the minimum criteria.

- 7.1. The application form can be downloaded from IRAS' website at www.iras.gov.sg (Quick Links > Forms > Property > Vacant Land or Development Site > Application form for the deferment of assessment under Section 2(6)(b) of the Property Tax Act).

8. Contact Information

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