

Common Property Terms You Should Know as an Investor in Singapore

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Singapore has one of the highest home ownership in the world, with almost 90% of its population owning a property¹. Below are the 10 common property terms that you should know – as a property owner or an aspiring one.



1. BSD - Buyer's Stamp Duty

- A tax that property buyers have to pay when they buy a property. The amount of tax depends on the property price.
- Foreigners would need to pay 20% of any property purchase and only exempted if you are married to a Singaporean and do not own any residential property.

For residential properties, tax levied as below²:

Purchase Price or Market Value of the Property (On or after 20 Feb 2018)	BSD Rates for residential properties
First \$180,000	1%
Next \$180,000	2%
Next \$640,000	3%
Remaining amount	4%

2. ABSD - Additional Buyer's Stamp Duty

- A tax that is levied on top of Buyer's Stamp Duty (BSD), based on the selling price of the property.

ABSD Rates on or after 16 Dec 2021³

	First Property	Second Property	Third Property
Singapore Citizens	NA	17%	25%
Singapore Permanent Residents	5%	25%	30%
Foreigners	30%	30%	30%
Entities (Companies/Associations)	35% (plus additional 5% non-remittable for developers)	5% (plus additional 5% non-remittable for developers)	5% (plus additional 5% non-remittable for developers)

¹Source: Department of Statistics Singapore, Households – Statistics of resident households are compiled by the Singapore Department of Statistics, 2021

²Source: Inland Revenue Authority of Singapore, Buyer's Stamp Duty (BSD), 2022

³Source: Inland Revenue Authority of Singapore, Additional Buyer's Stamp Duty (ABSD), 2022

3. SSD – Seller’s Stamp Duty

- SSD is payable on all residential properties and residential lands bought on or after 20 February 2010 and sold within 3 years. The rate of SSD depends on:
 - The type of property sold or disposed
 - The date of purchase or acquisition
 - The date of sale or disposal

4. MSR – Mortgage Servicing Ratio

- MSR refers to the borrower’s gross monthly income that goes into paying all property loans. MSR is being capped at 30% of one’s gross monthly income. It only applies to loans for the purchase of an HDB flat or an executive condominium.

5. TDSR - Total Debt Servicing Ratio

- TDSR refers to the borrower’s gross monthly income that goes into paying all monthly debt loans, including car loans, study loans, overseas property loans etc. TDSR should be equal to or less than 55%.

6. LTV – Loan-To-Value

- The LTV limit determines the maximum amount an individual can borrow to finance a housing loan, hence it determines how much one needs to pay upfront in cash and/or from your CPF Ordinary Account (OA) for your down-payment. LTV also refers to the loan amount as a percentage of the property’s value.
- There is a key difference between HDB housing loans and bank loans for LTV.
- HDB loan has a maximum LTV ratio of 85%. It is only available for Build-to-Order (BTO) , Sale of Balance Flat, Re-offer of Balance Flat and resale flat purchases. Downpayment can be made via cash or from your CPF OA, or a combination of both. There is no minimum cash outlay. On the other hand, bank loan has a maximum LTV ratio of 75%. 5% must be paid in cash. The rest of the 20% can be paid using a combination of cash and CPF OA Savings.
- However, there are caveats as to why one may not qualify for the maximum LTV in all circumstances, such as if the loan tenure exceeds 30 years (or 25 years for HDB flats), or if the loan period extends beyond the borrower’s age of 65 years old.

7. Loan Tenure

- The period of time that you may take to fully repay your loan⁴.
- Maximum loan tenure for housing loans is capped at:
 - 30 years for HDB flats
 - 35 years for non-HDB properties

⁴Source: DBS Singapore, Glossary | DBS Singapore, 2022

8. A-I-P - Approval in Principle

- Sometimes also known as an In-Principle Approval (IPA), is an agreement with a bank to pre-approve your home loan based on your financial health and credit history. There is no real loan that occurs when you get an IPA. While it is a guarantee, it is not a commitment.
- It is valid for 30 days, during which you can hunt for a place that is within your budget.

9. OTP - Option to Purchase

- It is an agreement between the seller and buyer of a property. Essentially this is used for a potential buyer to “reserve” the property within a stated period of time.
- The Option Fee is usually 1% of the selling price of the property, but it is not fixed and up to negotiation between both parties.
- The Option period is usually 14 days, but it is not fixed and up to negotiation between both parties.

10. LOI - Letter of Intent

- It is a preliminary agreement between the buyer and the seller before a transaction is finalized. In the Singapore context, such an agreement is between a landlord and a tenant to indicate interest in renting a property.



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