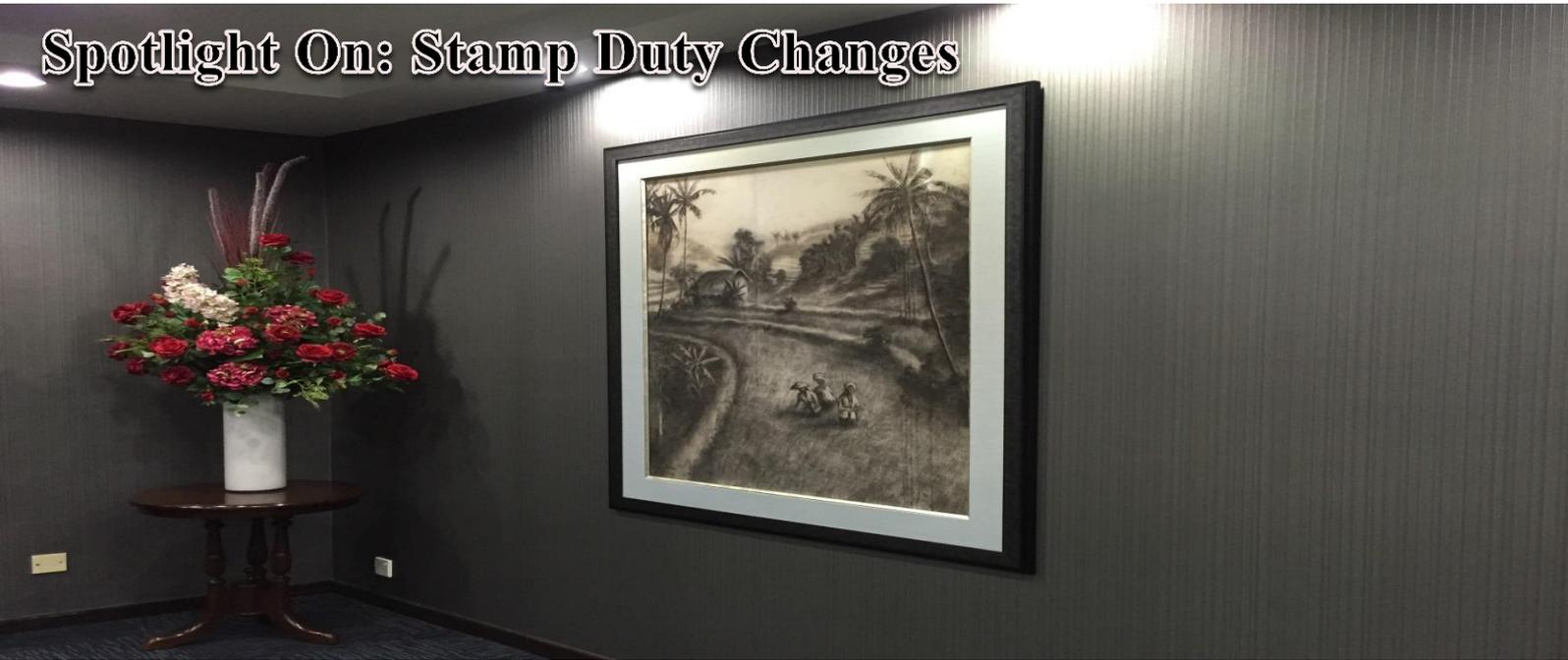


## Spotlight On: Stamp Duty Changes



# *SINGAPORE'S STAMP DUTIES (AMENDMENT) ACT 2017*

Generally, stamp duty is a tax on documents relating to any immovable property in Singapore and any stock or shares. For the transfer of stock or shares in a Singapore company, stamp duty is payable on the actual price or net asset value of the stock or shares, whichever is higher.

### *Point of duty for contracts and agreements for the sale of shares or stocks*

In addition to the introduction of the Additional Conveyance Duty which is a new stamp duty to be levied on the acquisition or disposal of equity interests in residential Property-Holding Entities, a significant change is also made to Section 22 of the Stamp Duties Act (Cap. 312) by the Stamp Duties (Amendment) Act 2017 (No. 13 of 2017).

Prior to the amendment, stamp duties was payable at the point of transfer for a sale of shares in a Singapore incorporated company, which will take place upon the execution of the share transfer form. The previous Section 22(1) used to provide as follows:

“22(1) Every contract or agreement for the sale of –

- (a) any equitable estate or interest in any property; or
- (b) any estate or interest in any property except property situated outside Singapore, and stock or shares,

shall be charged with the same ad valorem duty payable by the purchaser, as if it were an actual conveyance on sale of the estate, interest or property contracted or agreed to be sold.”

After the amendment, with effect from 11 March 2017, the words “and stock or shares” were deleted in subsection 22(1)(b) of the Stamp Duties Act. This change was explained in the explanatory statement to the Stamp Duties (Amendment) Bill (No. 18 of 2017) as follows:

“Clause 5 removes the reference to “stocks and shares” in section 22(1)(b), to clarify that contracts or agreements for the sale of stocks and shares are dutiable. Section 22(1)(b) (as well as section 22(1)(a)) already refers to “property”, which would include stocks and shares.”

This effectively means that stamp duties will now be payable on the execution of a sale and purchase agreement or share transfer form for the sale of stocks or shares, whichever document is executed earlier. Generally, for most cases, the sale and purchase agreement will be executed first and the dutiable point will now be triggered. The change will create a timing and cost impact for a purchaser since a sale and purchase agreement of shares will always be executed much earlier than the share transfer form.

The new rule will also have an impact on a contract or agreement for the transfer of *scripless* shares. Prior to the amendment, no stamp duty was payable for a transfer of *scripless* shares because no share transfer form is required. With the new rule, transfer of *scripless* shares will be subject to stamp duty as the dutiable point will be triggered when the sale and purchase agreement is executed unless no document is executed. The local stamp office did not issue any statement that a transfer of *scripless* shares is unaffected by the change to Section 22(1) of the Stamp Duties Act.

The conditions for stamp duty relief under sections 15 and 15A of the Stamp Duties Act remains largely unchanged.

Clients should be aware of the potential impact on the timing issues arising from any proposed acquisition of shares or stocks in a Singapore incorporated company.

If you wish to understand more on the Stamp Duty Changes, please feel free to approach:

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