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### Stamp Duties (Agreements for Sale of Equity Interests) (Remission) Rules 2018

#### Background

Additional Conveyance Duty (ACD) is applicable on a qualifying acquisition and disposal of equity interest in a Property Holding Entity (PHE) on or after 11 March 2017.

ACD was introduced to address the stamp duty rate differential between:

- A direct acquisition/disposal of residential properties (this attracts buyer's stamp on the property and potentially additional buyer's stamp duty and seller's stamp duty); and
- An indirect acquisition/disposal of residential properties via an entity (this should attract only buyer's stamp duty on the shares prior to the introduction of ACD).

Prior to the introduction of ACD, the point for paying duty on the sale of immovable property is generally at the contract stage (i.e., the signing of the agreement for sale), whereas the point for paying duty on the sale of shares is generally at the transfer stage (i.e., when beneficial ownership of the shares is transferred).

Given the policy intent to align the stamp duty treatment between a direct and indirect acquisition or disposal of residential properties, the point for paying duty on the sale of shares was also advanced to the contract stage with effect from 11 March 2017. This change applies regardless of

whether the entity whose shares are transferred is regarded as a PHE.

## Stamp Duties (Agreements for Sale of Equity Interests) (Remission) Rules 2018

On 9 April 2018, the *Stamp Duties (Agreements for Sale of Equity Interests) (Remission) Rules 2018* (Remission Rules) was legislated by the Minister for Finance under section 74 of the Stamp Duties Act.

Amongst others, the Remission Rules have the effect of reverting the point for paying duty on the sale of shares to the transfer stage, unless the shares concerned are shares in a PHE.

Specifically, the situations in which stamp duty will be remitted are as follows:

1. Remission of duty on agreements for sale of stock or shares not subject to additional conveyance duty

Briefly, stamp duty imposed on the contract or agreement for the sale of any stock or shares, or any interest in any stock or shares, will be remitted. The remission takes effect for contracts or agreements executed on or after 11 April 2018 and does not apply in instances where ACD is applicable on the stock or shares.

This remission of stamp duty should not be mistaken for an exemption from stamp duty; the remission merely shifts the point for paying stamp duty for the sale of equitable interest in stock or shares not subject to ACD from the contract stage to the transfer stage (when the Instrument of Transfer is executed).

2. Remission of duty on agreements for sale of book-entry securities subject to additional conveyance duty

Briefly, a remission is granted on a contract or agreement that is executed for the sale, transfer or assignment of scripless shares that are subject to ACD. The remission is granted on:

- i) The stamp duty payable for the scripless shares; and
- ii) The ACD payable.

This remission takes effect on or after 11 April 2018.

3. Remission of duty on aborted agreements

Previously, there was no express mechanism to remit the duties for aborted agreements to transfer shares since no duty should have been paid if the shares were not transferred.

With the duty point for the transfer of shares (that are subject to ACD) advanced to the contract stage, a remission of duties for agreements that are signed but subsequently rescinded or annulled has been put in place.

Subject to qualifying conditions, the amount of duty in excess of S\$50 will be remitted for agreements executed on or after 11 March 2017 but are subsequently rescinded or annulled.

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### Deloitte Singapore's views

The Remission Rules are significant as the outcome, following the granting of the relevant remissions, has the effect of:

- Moving the point of paying stamp duty for the sale of stocks or shares that are not subject to ACD to the transfer stage. This was the position prior to 11 March 2017;
- Clarifying that stamp duty is not applicable to the sale, transfer or assignment of scripless shares that are subject to ACD; and
- Providing an avenue for taxpayers to obtain a refund of stamp duty for aborted share transfer agreements that attract ACD. A similar remission is in place for agreements for the sale, transfer or conveyance of immovable property that are aborted.

We hope that you find this newsletter useful and welcome your feedback.

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