

## “Decoupling” & The Considerations That Come With It



More home owners are now seeking to “decouple” their existing properties as a means to avoid paying hefty Additional Buyers’ Stamp Duty (“ABSD”).

A husband and wife, or a parent and child who previously bought a house together now look towards transferring one co-owner’s share to the other co-owner. As a result, the existing property will be solely owned by one owner and the outgoing owner is now free to buy another property without having to pay the ABSD as the new purchase will be treated as his first property.

“Decoupling” can take place either by way of transfer by gift or by sale of part share in the property.

### **Transfer by way of gift**

A property transfer by way of gift occurs where the property is transferred to another person with no consideration paid to the outgoing owner.

The following will be applicable to transfers by way of gift:

1. Only properties that are unencumbered (that is, with no outstanding mortgage and/or CPF charge) may be transferred by way of gift.

2. There is stamp duty payable on the transfer and the stamp duty is computed based on the market value of the property as at the date of execution / signing of the document.

The Inland Revenue Authority of Singapore (“IRAS”) does conduct audit checks on all documents relating to gift cases. IRAS will require a higher stamp duty to be paid if the value declared is not a true reflection of the current value and IRAS may also impose a penalty for such under-declaration. As such, it would be advisable for a valuation report to be obtained as at the date of transfer.

3. In addition, the donee may be liable for ABSD on the market value of the share of the property transferred to him/her if he/she owns more than one residential property.

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5. The outgoing owner may also have to pay Sellers' Stamp Duty if the property was acquired after 30 August 2010.



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**Transfer by way of sale of part share**

The following will be applicable to the transfer by way of sale of part share:

1. Stamp duty shall be payable on the market value of the part share that is sold.
2. The outgoing owner may also have to pay Sellers' Stamp Duty if the property was acquired after 30 August 2010.
3. The purchaser may be liable for ABSD on the market value of the share in the property sold to him/her if he/she owns more than one residential property.
4. The housing loan will have to be refinanced under the sole name of the purchaser.
5. There is legal fees payable for separate representation for both the purchaser and the seller.
6. The parties will also need to show the flow of funds, i.e. the buyer needs to pay off the seller for his share in the property. This may not be possible if the buyer does not have the cash to pay off the seller.

Before co-owners rush to decouple, they will need to consider the above before they decide whether the transfer by way of gift or sale of part share is more suitable for their circumstances.

**Leong Li Lian**  
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