

THE DIFFERENTIAL PREMIUM SYSTEM

- 1 With effect from 31 Jul 2000, the Singapore Land Authority has implemented a transparent system of determination of differential premium (DP) for the lifting of State title restrictions involving change of use and/or increase in intensity. This is to encourage optimisation of land use and to facilitate the overall pace of redevelopment in Singapore. It will also provide greater certainty to landowners who will now be able to compute the DP payable themselves.
- 2 The determination of DP will be based on the published Table of Development Charge (DC) rates. The material date of determination of DP will be pegged to the date of Provisional Planning Permission (PP) or the date of the second and subsequent PP extensions, similar to DC. The prevailing Table of DC rates at the date of grant of PP will be used.
- 3 In addition, where tenure of the land is leasehold, the DC rates will be adjusted to reflect the residual tenure¹ of the land. In this regard, a Leasehold Table, which expresses the value of the residual tenure as a percentage of freehold value, will be applied to the DC rates to determine the DP payable. A copy of the Leasehold Table is at Appendix 1.
- 4 Where the use as spelt out in a particular title restriction does not fit into any of the Use Groups in the Table of DC Rates, the DP payable will be determined by the Chief Valuer on a case-by-case basis.
- 5 The current system will not be applied retrospectively to past cases where the offers have already been accepted prior to 31 July 2000.
- 6 As the material date for determination of DP is pegged to the PP date, all applications for lifting of title restriction must have a valid PP. Applications without a valid PP will be rejected. The Singapore Land Authority reserves the discretion on whether to grant an application for lifting of title restriction and/or topping up of lease in accordance with its policies.

¹ The residual tenure shall be rounded down to the nearest year if the fraction of a year is less than 0.5, i.e. 6 months. Conversely, the residual tenure shall be rounded up to the nearest year if the fraction of a year is equal or more than 0.5, i.e. 6 months.

- 7 Examples of how DP will be determined under the new system are at Appendices 2, 3 and 4.
- 8 The new system for determining DP does not apply to the computation of premium payable for the upgrading of lease tenure (i.e. the topping-up of lease tenure). Such premium will still be assessed by the Chief Valuer on a case-by-case basis.
- 9 If you have any queries concerning this circular, please feel free to contact us at SLA. We will be pleased to answer queries on this matter.

Last updated 25 Nov 2010

APPENDIX 1

TABLE SHOWING LEASEHOLD VALUES AS A PERCENTAGE OF FREEHOLD VALUE

Term of Years	Percentage (%) of Freehold Value	Term of Years	Percentage (%) of Freehold Value	Term of Years	Percentage (%) of Freehold Value
1	3.8	37	66.2	73	87.5
2	7.5	38	67.0	74	88.0
3	10.9	39	67.7	75	88.5
4	14.1	40	68.5	76	89.0
5	17.1	41	69.2	77	89.5
6	19.9	42	69.8	78	90.0
7	22.7	43	70.5	79	90.5
8	25.2	44	71.2	80	91.0
9	27.7	45	71.8	81	91.4
10	30.0	46	72.4	82	91.8
11	32.2	47	73.0	83	92.2
12	34.3	48	73.6	84	92.6
13	36.3	49	74.1	85	92.9
14	38.2	50	74.7	86	93.3
15	40.0	51	75.2	87	93.6
16	41.8	52	75.7	88	94.0
17	43.4	53	76.2	89	94.3
18	45.0	54	76.7	90	94.6
19	46.6	55	77.3	91	94.8
20	48.0	56	77.9	92	95.0
21	49.5	57	78.5	93	95.2
22	50.8	58	79.0	94	95.4
23	52.1	59	79.5	95	95.6
24	53.4	60	80.0	96	95.7
25	54.6	61	80.6	97	95.8
26	55.8	62	81.2	98	95.9
27	56.9	63	81.8	99	96.0
28	58.0	64	82.4		
29	59.0	65	83.0		
30	60.0	66	83.6		
31	61.0	67	84.2		
32	61.9	68	84.5		
33	62.8	69	85.4		
34	63.7	70	86.0		
35	64.6	71	86.5		
36	65.4	72	87.0		

APPENDIX 2

EXAMPLE 1

COMPUTATION OF DIFFERENTIAL PREMIUM FOR CHANGE OF USE

Location	:	Upper Bukit Timah Road
Land Area	:	5,000 sqm
Tenure	:	99-year lease commencing from 1 Jan 1980 (unexpired term of lease remaining: 78 years and 5 months as at 31 Jul 2000)
Restriction in title	:	Industrial GPR 2.5
Proposed Use	:	Residential GPR 1.4

DP COMPUTATION

Prevailing DC Table:	Mar 2000 DC Table
Sector	: 113
Residual Tenure	: 78 years (rounded down to the nearest year)
Leasehold value as Percentage of Freehold Value	: 90%
<u>Base Value</u>	
Use Group	: Group D
DC Rate	: \$600/-
Base GFA	: 12,500m ² (5,000m ² x 2.5)
Base Amount	: \$6,750,000 (12,500m ² x \$600 x 90%)
<u>Proposed Value</u>	
Use Group	: Group B2
DC Rate	: \$1,600/-
Proposed GFA	: 7,000m ² (5,000m ² x 1.4)
Proposal Amount	: \$10,080,000 (7,000m ² x \$1,600 x 90%)
Differential Premium	: \$3,330,000 (Proposal Amount - Base Amount)

APPENDIX 3

EXAMPLE 2

COMPUTATION OF DIFFERENTIAL PREMIUM FOR INCREASE IN INTENSITY

Location	:	Shenton Way
Land Area	:	6,500 sqm
Tenure	:	99-year lease commencing from 1 Feb 1979 (unexpired term of lease remaining: 77 years and 6 months as at 31 Jul 2000)
Restriction in title	:	Commercial GPR 7.0
Proposed Use	:	Commercial GPR 7.3

DP COMPUTATION

Prevailing DC Table:	Mar 2000 DC Table	
Sector	:	9
Residual Tenure	:	78 years (rounded up to the nearest year)
Leasehold value as Percentage of Freehold Value	:	90%
<u>Base Value</u>		
Use Group	:	Group A
DC Rate	:	\$3,000
Base GFA	:	45,500m ² (6,500m ² x 7.0)
Base Amount	:	\$122,850,000 (45,500m ² x \$3,000 x 90%)
<u>Proposed Value</u>		
Use Group	:	Group A
DC Rate	:	\$3,000/-
Proposed GFA	:	47,450m ² (6,500m ² x 7.3)
Proposal Amount	:	\$128,115,000 (47,450m ² x \$3,000 x 90%)
Differential Premium	:	\$5,265,000 (Proposal Amount - Base Amount)

EXAMPLE 3

CASE INVOLVING CHANGE OF USE AND UPGRADING OF LEASE TENURE

Location	:	Upper Bukit Timah Road
Land Area	:	5,000 sqm
Existing Tenure	:	99-year lease commencing from 1 Jun 1951 (unexpired term of lease remaining: 49 years and 10 months as at 31 Jul 2000)
Proposed Tenure	:	Fresh 99-year lease
Restriction in title	:	Industrial GPR 2.5
Proposed Use	:	Residential GPR 2.8

2-STEP APPROACH –

- Step 1 - Computation of differential premium for change of use from industrial GPR 2.5 to residential GPR 2.8 with 50 years (rounded up to the nearest tenure) remaining.
- Step 2 - Assessment of upgrading premium for topping up of existing tenure from 50 years (rounded up to the nearest tenure) to 99 years based on residential GPR 2.8.

STEP 1

COMPUTATION OF DIFFERENTIAL PREMIUM FOR CHANGE OF USE FROM INDUSTRIAL GPR 2.5 TO RESIDENTIAL GPR 2.8 WITH 50 YEARS (ROUNDED UP TO THE NEAREST TENURE) REMAINING

Prevailing DC Table:	Mar 2000 DC Table
Sector	: 113
Residual Tenure	: 50 years (rounded up to the nearest year)
Leasehold value as Percentage of Freehold Value	: 74.7%

Base Value

Use Group	:	Group D	
DC Rate	:	\$600/-	
Base GFA	:	12,500m ²	(5,000m ² x 2.5)
Base Amount	:	\$5,602,500	(12,500m ² x \$600 x 74.7%)

Proposed Value

Use Group	:	Group B2	
DC Rate	:	\$1,600/-	
Proposed GFA	:	14,000m ²	(5,000m ² x 2.8)
Proposal Amount	:	\$16,732,800	(14,000m ² x \$1,600 x 74.7%)

Differential

Premium	:	\$11,130,300	(Proposal Amount - Base Amount)
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STEP 2

ASSESSMENT OF UPGRADING PREMIUM FOR TOPPING-UP OF EXISTING TENURE FROM 50 YEARS (ROUNDED UP TO THE NEAREST TENURE) TO 99 YEARS BASED ON RESIDENTIAL GPR 2.8

Chief Valuer will assess the market value of the 99-year lease based on residential use at GPR 2.8. Assuming valuation is at \$50,000,000/-.

Leasehold Table

Value of 99 years as Percentage of Freehold Value	:	96%
Value of 50 years as Percentage of Freehold Value	:	74.7%
Premium for 50-year tenure	:	(\$50,000,000 / 96%) x 74.7% = \$38,906,250
Upgrading premium	:	\$11,093,750 (\$50,000,000 - \$38,906,250)