

## **THE DIFFERENTIAL PREMIUM SYSTEM & PREMIUM FOR REMNANT STATE LAND**

### Changes to Differential Premium System

- 1 With effect from 18 July 2007, in line with the revision of the Development Charge (DC) system whereby Government will peg the amount of DC based on 70% of the enhancement in land value, the differential premium (DP) system will similarly be adjusted for the lifting of State title restrictions involving change of use and/or increase in intensity.
- 2 The determination of DP will still 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 start date of the validity 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 tenure<sup>1</sup> 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 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 right on whether to grant an application for lifting of title restriction in accordance with its prevailing policies.
- 6 Examples of how DP will be determined under the new system are at Appendices 2 and 3.

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<sup>1</sup> 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.

Use of Table of DC Rates to compute premium for remnant State land

- 7 The basis of charging 50% of the full value for remnant State land will remain unchanged notwithstanding the revision to the Development Charge (DC) system and correspondingly, the Table of DC Rates. Accordingly, SLA will apply a factor of 5/7 to the new revised Table of DC Rates (i.e. Table of DC Rate x 5/7 x size of remnant State land x plot ratio) when computing the premium for the remnant State land.
- 8 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 Feb 1988 (unexpired term of lease remaining: 79 years and 6 months as at 18 Jul 2007)
Restriction in title	:	Industrial GPR 2.5
Proposed Use	:	Residential GPR 1.4

#### DP COMPUTATION

Prevailing DC Table:	Jul 2007 DC Table
Sector	: 113
Residual Tenure	: 80 years (rounded up to the nearest year)
Leasehold value as Percentage of Freehold Value	: 91%
<u>Base Value</u>	
Use Group	: Group D
DC Rate	: \$350/-
Base GFA	: 12,500m <sup>2</sup> (5,000m <sup>2</sup> x 2.5)
Base Amount	: \$3,981,250 (12,500m <sup>2</sup> x \$350 x 91%)
<u>Proposed Value</u>	
Use Group	: Group B2
DC Rate	: \$1,750/-
Proposed GFA	: 7,000m <sup>2</sup> (5,000m <sup>2</sup> x 1.4)
Proposal Amount	: \$11,147,500 (7,000m <sup>2</sup> x \$1,750 x 91%)
Differential Premium	: <b>\$7,166,250</b> (Proposal Amount - Base Amount)

## APPENDIX 3

### EXAMPLE 2

#### COMPUTATION OF DIFFERENTIAL PREMIUM FOR INCREASE IN INTENSITY

Location	:	Shenton Way
Land Area	:	10,000 sqm
Tenure	:	99-year lease commencing from 1 Sep 1986 (unexpired term of lease remaining: 78 years and 1 month as at 18 Jul 2007)
Restriction in title	:	Commercial GPR 5.0
Proposed Use	:	Commercial GPR 5.5

#### DP COMPUTATION

Prevailing DC Table:	Jul 2007 DC Table	
Sector	:	9
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 A
DC Rate	:	\$3,080/-
Base GFA	:	50,000m <sup>2</sup> (10,000m <sup>2</sup> x 5.0)
Base Amount	:	\$138,600,000 (50,000m <sup>2</sup> x \$3,080 x 90%)
<u>Proposed Value</u>		
Use Group	:	Group A
DC Rate	:	\$3,080/-
Proposed GFA	:	55,000m <sup>2</sup> (10,000m <sup>2</sup> x 5.5)
Proposal Amount	:	\$152,460,000 (55,000m <sup>2</sup> x \$3,080 x 90%)
Differential Premium	:	<b>\$13,860,000</b> (Proposal Amount - Base Amount)

### EXAMPLE 3

#### COMPUTATION OF DIFFERENTIAL PREMIUM FOR INCREASE IN INTENSITY

Location	:	West Coast Road
Land Area	:	4,500 sqm
Existing Tenure	:	99-year lease commencing from 1 Jun 1973 (unexpired term of lease remaining: 64 years and 10 months as at 18 Jul 2007)
Restriction in title	:	Residential GPR 2.3
Proposed Use	:	Residential GPR 2.8

#### DP COMPUTATION

Prevailing DC Table	:	Jul 2007 DC Table
Sector	:	112
Residual Tenure	:	65 years (rounded up to the nearest year)
Leasehold value as Percentage of Freehold Value	:	83%
<u>Base Value</u>		
Use Group	:	Group B2
DC Rate	:	\$2,170/-
Base GFA	:	10,350m <sup>2</sup> (4,500m <sup>2</sup> x 2.3)
Base Amount	:	\$18,641,385 (10,350m <sup>2</sup> x \$2,170 x 83%)
<u>Proposed Value</u>		
Use Group	:	Group B2
DC Rate	:	\$2,170/-
Proposed GFA	:	12,600m <sup>2</sup> (4,500m <sup>2</sup> x 2.8)
Proposal Amount	:	\$22,693,860 (12,600m <sup>2</sup> x \$2,170 x 83%)
Differential Premium	:	<b>\$4,052,475</b> (Proposal Amount - Base Amount)