

## **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 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. Further, in cases where the State Title contains special restrictions, the DP amount may be determined using other methods and the resultant amount may be higher than the amount derived using the DC Table of Rates. The examples presented in Appendices 2 and 3 may hence not be relevant for such cases.
- 5 The current system will not be applied retrospectively to past cases where the offers have already been accepted prior to 31 July 2000.

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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.

- 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.
- 7 Examples of how DP will be determined under the new system are at Appendices 2 and 3. Please note that they are not applicable to the cases highlighted in Para 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 9 Jun 2020

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		

## 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 <sup>2</sup> (5,000m <sup>2</sup> x 2.5)
Base Amount	:	\$6,750,000 (12,500m <sup>2</sup> x \$600 x 90%)
<u>Proposed Value</u>		
Use Group	:	Group B2
DC Rate	:	\$1,600/-
Proposed GFA	:	7,000m <sup>2</sup> (5,000m <sup>2</sup> x 1.4)
Proposal Amount	:	\$10,080,000 (7,000m <sup>2</sup> x \$1,600 x 90%)
Differential Premium	:	<b>\$3,330,000</b> (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 <sup>2</sup> (6,500m <sup>2</sup> x 7.0)
Base Amount	:	\$122,850,000 (45,500m <sup>2</sup> x \$3,000 x 90%)
<u>Proposed Value</u>		
Use Group	:	Group A
DC Rate	:	\$3,000/-
Proposed GFA	:	47,450m <sup>2</sup> (6,500m <sup>2</sup> x 7.3)
Proposal Amount	:	\$128,115,000 (47,450m <sup>2</sup> x \$3,000 x 90%)
Differential Premium	:	<b>\$5,265,000</b> (Proposal Amount - Base Amount)

## **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 sate 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 of the land. In this regard, a Leasehold Table, which expresses the value of the residual tenure<sup>2</sup> 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. Further, in cases where the State Title contains special restrictions, the DP amount may be determined using other methods and the resultant amount may be higher than the amount derived using the DC Table of Rates. The examples presented in Appendices 2 and 3 may hence not be relevant for such cases.
- 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

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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.

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. Please note that they are not applicable to the cases highlighted in Para 4.

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.

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**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
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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 Residential GPR
Proposed Use	:	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%
Base Value		
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%)
Proposed Value		
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	:	\$7,166,250 (Proposal Amount - Base Amount)

**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 Base Value	:	90%
<u>Use Group</u>	:	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)