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News Release from Ministry of Law

Waiver of Building Premium

- 1 The Government will with immediate effect waive the collection of building premium where lease extensions are granted.
- 2 The Government currently charges both a land premium and a building premium when extending a State lease. The charging of these premiums was based on the Common Law principle that both land and buildings would revert to the Landlord at the end of the lease.
- 3 In 1997, the Government decided to waive the building premium for short-term industrial and institutional leases. The change was made on the recommendation of the Committee on Singapore's Competitiveness.

The Government has further reviewed the policy on the charging of a building premium when extending a State lease. The Government has decided to waive the building premium when a lease extension is granted because this will encourage lessees to continue to invest in the upkeep and improvement of the property,

Government's Policy on Lease Extension

- 4 In general, the Government's policy is to allow leases to expire without extension. In land scarce Singapore, we need to recover land upon lease expiry to re-allocate it to meet fast changing socio-economic needs.
- 5 Nevertheless, the Government will consider extension of State leases on a case-by-case basis where they are in line with planning intention and help to further specific economic and social objectives. Some of the specific considerations in assessing applications for lease extensions are listed in Annex A.

Government's Considerations when Allowing Lease Extensions

For all categories of leases, lease extension will be considered only if the proposed use and tenure are aligned with the Government's planning intention and have the support of the relevant agencies.

- a) For industrial uses, the Government may allow lease extension if there is substantial investment on the land or property and the use is in line with the prevailing economic priorities.
- b) For commercial uses, the Government may allow lease extension if it helps to achieve planning intention - such as substantial intensification in land use - significantly earlier.
- c) For residential uses, the Government may allow lease extension if it results in land use intensification, mitigation of property decay and preservation of community.
- d) For agricultural uses, the Government may allow lease extension if there is substantial investment on the land or property, and the proposed agricultural use remains relevant to our strategic national needs.
- e) For institutional uses, the Government may allow lease extension if the institution continues to serve the needs of the community.
- f) For conservation properties, the Government may allow lease extension to provide the incentive for lessees to carry out major conservation works.

The considerations in evaluating lease extension applications will evolve as our socio-economic circumstances and development priorities change. Notwithstanding the above general principles, each case has to be assessed individually based on the specific circumstances of the site and the Government as the lessor reserves the discretion to decide whether to allow lease extension; and if so, the terms of the lease extension.