

# NOT DECOUPLING, BUT RECOUPLING

Posted on March 16, 2020

**cnplaw** | **CNPupdate**  
KNOWING • THINKING • SOLVING | Not Decoupling, but Recoupling  
*Across Asia*



*Authors and Contributors*  
Chan Wai Mun (Left)  
Laura Lim

Category: [CNPupdates](#)

## General disclaimer

This article is provided to you for general information and should not be relied upon as legal advice. The editor and the contributing authors do not guarantee the accuracy of the contents and expressly disclaim any and all liability to any person in respect of the consequences of anything done or permitted to be done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents.



**Date Published: 16 March 2020**

**Authors: Chan Wai Mun and Laura Lim.**

For married home owners, the concept of decoupling may be a familiar solution to better manage their stamp duty liabilities should they consider investing in a second residential property. However, as stated in this title of this article, we will not be discussing decoupling but 'recoupling'. So do check out our article on ['ABSD: is "Decoupling" a suitable solution for you?'](#) if you have yet to do so.

Where the main feature of decoupling is the removal of an owner from a jointly-owned property, 'recoupling' seeks to do the complete opposite – introducing a second owner to a currently solely-owned property. While the benefits of decoupling are easily realized through the ample stamp duty savings, the draws of recoupling may be slightly less tangible. This article aims to provide an overview as to when recoupling would be an appropriate solution for home-owners.

## Why Recouple?

### Availability of CPF funds

When purchasing a property, most buyers utilise their CPF monies to partially or fully finance the monthly instalments to their mortgagee bank. Understandably, the more owners there are to a property, the larger the pool of CPF funds available for such payments. Accordingly, in the case of a married couple, the limitation of purchasing a property by a single owner would preclude the owner's spouse from utilising his

General disclaimer

This article is provided to you for general information and should not be relied upon as legal advice. The editor and the contributing authors do not guarantee the accuracy of the contents and expressly disclaim any and all liability to any person in respect of the consequences of anything done or permitted to be done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents.

or her own CPF monies to co-finance the purchase of the property.

To better illustrate the scenario above, let us consider the following factual matrix. Mr and Mrs Tan are a married couple who are both Singapore citizens and Mrs Tan currently owns a private residential property valued at S\$1 million, mortgaged to DBS bank. Mrs Tan is no longer working and has exhausted all available funds in her CPF Ordinary Account and is currently financing the monthly instalments to DBS entirely in cash. On the other hand, Mr Tan does not currently own any other residential properties in Singapore and has S\$300,000 available in his CPF Ordinary Account. However, as Mr Tan is not an owner of the property, he is unable to apply for his CPF monies to finance the monthly instalments to DBS.

In order to avail Mr Tan's CPF monies in his Ordinary Account, the Tans have decided to enter into a 'recoupling' transaction whereby Mrs Tan transfers a part share of the property to Mr Tan, thus introducing him as a co-owner of the property. To qualify as a co-owner, Mr Tan is not required to own a specified share in the property and a mere 1% share would be sufficient. The 'recoupling' transaction will introduce Mr Tan as a co-owner of the property, thereby enabling him to utilise the CPF monies in his Ordinary Account toward repayment of the DBS's monthly instalments.

The transfer will be effected by way of sale of a part share in the property. The Tans will enter into a sale and purchase agreement with Mrs Tan selling a 1% share in the property to Mr Tan and the outlay from the transaction (excluding legal cost) would be:

- S\$10,000 – Purchase price being market value of 1% share in the property; and
- S\$100 – Buyer's Stamp Duty ("BSD") on the market value of 1% share in the property.

As the property is encumbered, a refinancing of the existing loan with DBS would be required, whether with the existing mortgagee bank or another bank. Additionally, the bank providing financing would require the parties to be legally represented by separate law firms.

## Implications of 'recoupling'

### Property count

Continuing our journey with the Tans, Mr Tan now owns a 1% share in the property and Mrs Tan owns the remaining 99% share. Although Mr Tan's 1% share may seem minute and insignificant, this detail should not be overlooked. As mentioned earlier, the share held by an owner no matter how miniscule, would grant that person ownership status. Hence, by way of the 'recoupling' exercise, Mr Tan's residential property count in Singapore has increased by one.

In the event that Mr Tan decides to purchase a second residential property in Singapore, he must be aware that he currently owns one residential property in Singapore and will therefore be subject to Additional Buyer's Stamp Duty ("ABSD") in addition to the standard BSD for the new purchase.

#### General disclaimer

This article is provided to you for general information and should not be relied upon as legal advice. The editor and the contributing authors do not guarantee the accuracy of the contents and expressly disclaim any and all liability to any person in respect of the consequences of anything done or permitted to be done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents.

## More favourable borrowing terms

Since Mrs Tan has stopped working, the banks will be less likely to extend her favourable borrowing terms should she refinance her loan as a single borrower, i.e. shorter loan tenure and smaller loan quantum. However, by introducing Mr Tan (who is still working) as a co-owner, the banks may look upon the Tans' application more favourably, thereby extending better borrowing terms. Further, in the event the Tans have paid down their existing housing loan sufficiently, they could even consider obtaining an equity loan from the bank, to finance other investments or business ventures.

## CPF Basic Retirement Sum ("BRS")

Now let us re-visit the Tans' factual matrix with a slight variation of the facts where prior to the 'recoupling' exercise, Mr Tan already owns a residential property in his sole name. Thus, Mr and Mrs Tan both have one residential property each to their respective names. As before, Mr Tan now wishes to 'recouple' into Mrs Tan's property in order to utilise his CPF monies to finance the monthly instalments to DBS.

As Mr Tan has one residential property to his name, the outlay from entering into the same transaction as before would be:

- S\$10,000 – Purchase price being market value of 1% share in the property;
- S\$100 – BSD on the market value of 1% share in the property; and
- S\$1,200 – ABSD on the market value of 1% share in the property.

Now that Mr Tan is a co-owner to the property, he may avail his CPF monies to finance DBS's monthly instalments. **However**, as the property he now co-owns with Mrs Tan is his second residential property, he may only utilise the CPF monies in his Ordinary Account after having set aside the BRS. The latest BRS for CPF members turning 55 up to 2022 are as follows:

### General disclaimer

This article is provided to you for general information and should not be relied upon as legal advice. The editor and the contributing authors do not guarantee the accuracy of the contents and expressly disclaim any and all liability to any person in respect of the consequences of anything done or permitted to be done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents.

55th birthday in the year of	Basic Retirement Sum	Full Retirement Sum	Enhanced Retirement Sum
2017	\$83,000	\$166,000	\$249,000
2018	\$85,500	\$171,000	\$256,500
2019	\$88,000	\$176,000	\$264,000
2020	\$90,500	\$181,000	\$271,500
2021	\$93,000	\$186,000	\$279,000
2022	\$96,000	\$192,000	\$288,000

Upon

setting aside the BRS in his CPF accounts, Mr Tan would be able to exhaust all CPF monies in his Ordinary Account. Typically, CPF members who are about to turn 55 are required to set aside the Full Retirement Sum (“FRS”) in their CPF accounts. In this case, why would Mr Tan only need to set aside the BRS and not the FRS?

As Mr Tan owns a property, he may opt into the BRS scheme by pledging his property to the CPF Board (the value in the property must exceed the BRS) as well as setting aside the BRS in cash in his CPF accounts. By way of pledging his property to the CPF Board, Mr Tan is making up the FRS with a combination of cash in his CPF accounts and the value of his property.

## Conclusion

After canvassing the upside of ‘recoupling’ as well as its possible implications, it is evident that there are a multitude of factors to be considered before entering into such a transaction; such as stamp duty liability and CPF limitations. Before deciding to proceed with a ‘recoupling’ transaction, home-owners should first consult and discuss any available options with a lawyer.

### General disclaimer

This article is provided to you for general information and should not be relied upon as legal advice. The editor and the contributing authors do not guarantee the accuracy of the contents and expressly disclaim any and all liability to any person in respect of the consequences of anything done or permitted to be done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents.