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Special Report

SHOULD PROPERTY LEVY ON FOREIGNERS REMAIN OR BE REVIEWED?

KUALA LUMPUR, May 24 (Bernama) -- Developers, understandably, want the blanket RM100,000 levy on foreigners who buy property in Malaysia lifted, so do some state governments, and a national consumer group wants it doubled.

One developer wanted the levy to be imposed for link houses instead of upmarket property so as to ensure that Malaysians were not denied the opportunity to own homes.

And, Prime Minister Datuk Seri Dr Mahathir Mohamad has said there were no plans to totally lift the levy but the government would study certain categories which did not affect local buyers.

Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim announced the levy, to be imposed on foreigners purchasing property costing RM250,000 and above in the 1996 national budget presented in Parliament in October 1995.

The levy had to some extent affected the sale of properties, in particular, those located outside prime locations like the Klang Valley or west coast states of Pulau Pinang and Johor, the opponents claim.

"There should not be a blanket imposition of the RM100,000 levy. It is hurting developers who are only trying to bring development to less developed states such as Pahang and Terengganu," a developer said.

Calling for selective imposition of the levy to be seriously considered, he also attributed the slowdown in new purchasers to mounting interest rates and strict bank financing of only 60 to 80 percent.

While admitting that the levy was a potent instrument to curb speculation and excessive borrowing by foreigners from local banks, he said, existing regulations on property purchase by foreigners were adequate.

Under the restrictions, only properties above RM250,000 could be purchased by foreigners, and permission from the Foreign Investment Committee was required prior to the purchase.

Other measures included a flat 30 percent Real Property Tax for foreign purchasers and a 60 percent credit limit on residential property loans above RM150,000.

Kemayan Management Service Sdn Bhd senior sales and marketing manager Pang Seong Wah said no levy should be imposed on upmarket property costing RM500,000 and above.

He suggested that the levy be imposed on link houses to help Malaysians own a home.

The Housing Developers Association (HDA), which claimed its members had suffered a drop in sales, particularly of resort-type property, had appealed for the levy to be scrapped. Attempts to reach the association for further comments failed.

Meanwhile, Federation of Malaysian Consumer Associations (Fomca) president Prof Hamdan Adnan said the levy was one way to control the upward pressure on property prices.

"Property demand can be created if the price is right," he said, when asked to comment on developers appeal to review the levy.

He said the majority of Malaysians were "hungry" to own houses. The right of every eligible Malaysian to own a house should be a national goal, he added.

"The government should ignore HDA's appeal," he said, adding that the

HDA should once in a while have the country's interest at heart and not just think of profits of its members.

Prof Hamdan said even Singapore had cracked down on property speculators to reduce resentment over spiralling prices by imposing hefty taxes on short-term property trading and barring foreigners from taking out Singapore dollar mortgages on homes.

"I am in favour of doubling the levy since it will also help cap inflation," he said.

Fomca would carry out a study on the effectiveness of the levy, he added.

Meanwhile, a property consultant said imposition of the property levy had kept foreign buyers, mainly speculators, out of the local market.

Among state governments, Johor welcomed the levy and Pulau Pinang further tightened the rules on foreigners buying real estate.

Johor Menteri Besar Datuk Abdul Ghani Othman said: "The levy collected can be used by the state governments to develop infrastructure and housing for their local residents."

In Pulau Pinang, foreigners are only allowed to buy houses costing RM750,000 and above or condominiums exceeding RM250,000.

Two other state governments, Sarawak and Melaka, decided to relax the ruling.

Sarawak Chief Minister Tan Sri Haji Abdul Taib Mahmud said the state government would waive the levy.

Anwar recently agreed to the state's proposal, according to Taib who said the state government's decision was to spur the local real estate industry which was still in the infant stage.

In the case of Melaka, Chief Minister Datuk Mohd Zin Ghani said it would not impose the levy on foreigners for first-time purchase of property costing more than RM250,000. -- BERNAMA

JSM LDB