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Of levies and homes for all

THE move to abolish the RM100,000 levy on luxury property purchases by foreigners did not come as a surprise. Two weeks ago, Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim had hinted at the possibility of lifting the levy to boost certain sectors of the property market. When he first announced the levy on property costing more than RM250,000 in 1995, the aim was very specific and transparent - to curb speculative buying that had contributed to artificial and ridiculous price leaps.

Anwar did point out that the levy was abolished because there is a large supply of houses above RM250,000. Developers and their associations have complained to the Government that the levy was inhibiting natural growth in the industry. This could only mean that properties priced above a quarter of a million ringgit are dependent on foreign buyers and are built primarily for foreign ownership. If the levy was hurting growth in this particular sector of the property industry - as any developer would have noticed - it means that foreigners have not had the same appetite to gobble up such properties since the levy was introduced. So why, despite the levy, did developers continue to build these luxury properties?

This is one question only the developers affected could answer. The certain thing is that the decision to waive the levy, even ahead of the 1998 Budget to be tabled in October, shows that the Government listens to the views of the private sector and sympathises with the developers' predicament. It is not difficult to think that the sympathy might have been largely misplaced, though. For one, the lifting of the levy may invite the kind of speculative activities that the Government had wanted to suppress in the first place. Even with the levy, house buyers are complaining of how unaffordable the prices of modest homes have become. Houses that three years ago were medium cost (RM75,000-RM100,000) are today sold at more than double the price. And that is not even anywhere near Bangsar or Ampang in Kuala Lumpur. Also, more developers may be encouraged to start building more luxury apartments, condominiums and houses now that the levy is out of the way.

There is nothing legally wrong with this, but morally there is everything wrong. This is because, sadly, few Malaysians - and even fewer Bumiputeras - can really afford houses priced above RM250,000. Not too long ago, Prime Minister Datuk Seri Dr Mahathir Mohamad lamented that Bumiputeras who could afford to buy homes priced over RM300,000 are so few and far apart. In every new housing estate where these luxury homes are built, the Bumiputera lots are always vacant for a very long time.

Still, if the levy is harmful to the growth of the property sector as a whole, it has to be done away with. And that is what the Government has done. But in its desire to encourage the construction of more affordable homes, certain definite measures must be introduced to check the natural desire to build more upscale properties after the levy is lifted. Anwar has said that to purchase property costing below RM250,000, foreigners would have to obtain the appropriate approval from the authorities. He also said locals can lodge a complaint if they are not happy with this ruling. Perhaps, to save everybody's time, foreign ownership should be barred totally from properties below RM250,000. In fact, with the prevailing foreign exchange rates, foreigners should not be allowed to buy properties below RM300,000, or even RM400,000.

In the meantime, developers should continue to be encouraged to build more low-cost and medium-cost homes. The private sector has done well during the Sixth Malaysia Plan (1991-1995) and should strive to at least maintain their performance during the current five-year plan. Now that the Government has decided to let them have their way, the developers should find a means to give back. Helping to reduce the prices of homes by using more efficient technologies is one way. Although, somehow, it feels like this would be a long way in coming.

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