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Tax rebates for housebuyers (HL)

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KUALA LUMPUR, Sat. - Buyers of houses costing below RM160,000 are likely to receive tax rebates under the Government's plan to reduce the residential property overhang, which stood at RM7 billion in March.

The move is also expected to encourage home ownership among the lower and middle income groups.

Sources said buyers can expect a percentage of tax rebate on the down payment equivalent to 10 per cent of the property's worth.

Syarikat Perumahan Negara, a wholly-owned subsidiary of Ministry of Finance Inc, will also be allowed to buy residential property to rent out to reduce oversupply.

SPN's present role is to revive abandoned housing projects, undertake affordable housing projects and build quarters for government servants.

A source said Prime Minister Datuk Seri Dr Mahathir Mohamad would announce these measures on Wednesday as part of the economic stimulus package.

The Property Overhang Report released by the National Property Information Centre last month showed that the number of unsold residential units increased by 10.1 per cent in the last quarter of last year compared to the previous quarter in the same year.

Unsold properties rose from 54,265 units to 59,750 units.

Of the total, 38.9 per cent are what is considered "hardcore properties" that had remained unsold for more than 24 months.

"The Foreign Investments Committee is also likely to recommend that the ruling for foreigners to buy property in Malaysia be further reduced," a source said.

At present, foreigners are allowed to buy property worth more than RM250,000 and through local funding without having to set up a company with local equity.

Last month, Second Finance Minister Datuk Dr Jamaludin Jarjis said the property sector had the potential to grow and could increase its contribution to the country's gross domestic product by as high as eight per cent.

This is similar to what have been recorded by that sector in most developed countries.

Dr Mahathir is also expected to announce measures to boost the hospitality and services sector, which has been the worst hit by the Severe Acute Respiratory Syndrome (SARS) outbreak.

The hotel industry, which employs about 80,000 people, recorded a drop of 32 per cent occupancy rate from 61.54 per cent following the SARS outbreak and the war in Iraq.

This translates into a total loss of 349,409 room nights. The loss of revenue was RM82.7 million, which included losses from food and beverages and other business.

Other measures likely to be announced are on banks offering short-term low interest loans, a relief fund set up to assist hotel operators, hotels to pay electricity based on industrial rates, and easier accessibility to government financing under the Infrastructure and Small and Medium Industries Funds.

In a separate interview, SPN managing director Mohd Zaihan Mohd Zain said low income earners who wished to apply for loans under the Government's Rumah Mesra Rakyat programme would be allowed to do so even

if they did not have their own parcel of land.

"Those who fall under this category will need to get the statutory declaration from immediate family members who own the land allowing them to build a house and stay there."

Zaihan added that this included parents, spouse and siblings.

As the loan repayment period is 22 years, he said borrowers would be allowed to name a joint owner who could continue servicing the loan when they were no longer able to work.

Those with a household income of RM12,000 per annum are eligible to apply for the loan under the scheme announced by Dr Mahathir in the Budget 2003.

Under the scheme, the Government would subsidise one-third of the cost of the house.

For those taking the RM40,000 loan, they would only have to repay RM26,667 while those taking RM28,000, repay RM18,667.

SPNB launched the RM100 million fund on Jan 5 for those with an average monthly income of RM1,000 and below.

Those eligible will be given loans of RM40,000 for a 300sq metre single-storey house or a RM28,000 loan for a 210sq metre apartment unit.

Monthly repayments amount to a minimal RM70 or RM100, depending on the size of the house.