

Will revised tax cool down housing market?

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The Najib administration's will revise Real Property Tax Gains rule with Budget 2012 aimed at putting the breaks on skyrocketing property prices and curbing speculation.

Under the scheme, properties sold within two years would be subject to 10 percent gains tax, while property sold within two to five years will be subjected to five percent gains tax. Properties sold after five years are not subject to this tax.

Reactions from experts on this topic are mixed with a developers association welcoming the move while a real estate consultant and a tax expert disagreeing that it would address the root problem.

Some experts are worried that the property developers might find a way around the new rules to maximise profits or lobby fiercely against it.

Here is what they have to say:

Michael Geh, practising property consultant

The Real Property Gains Tax of 10 percent for units sold within two years are 'mini dampers' and cannot address the escalating cost of houses for the people. This mini dampers should at least be increased to 30 percent.

However, this does not address the issue of "property insider trading" which is being practised by some developers, where houses are sold at a cheaper price to agents who then sell it to buyers at a higher price of RM100,000 or more. This practise is currently rampant in property circles, leaving house buyers the victims of such scams.

What is more important it to come up with a law that would put a lid on these practises so that property or home prices can be monitored and controlled. I propose this because it is a fair practise for all, for property/ home developers and buyers.

Michael KC Yam, Real Estate and Housing Development Association (Rehda) president

We view the Budget 2012... as positive for the housing and property industry, as it encourages home ownership and long-term investment, rather than short term gains and possible speculation, which is now being addressed by the increase of RPGT.

Rehda is thankful to the government for not introducing measures that will have drastic impact on the property industry, which is a key economic contributor to the country's economic wealth.

Increasing the RPGT in the first two years of ownership to 10 percent will in fact help reduce property speculation and promote a more stable, healthy growth orderly growth housing industry.

Rehda also welcomes the announcement that the price ceiling for the First Home Owners' Scheme has been increased from RM220,000 to RM400,000.

Rehda appreciates the government's effort for lending a sympathetic ear to our recent appeal to raise the price limit to RM350,000, which will help those living in urban areas own their homes.

SM Thanneermalai, Chartered Tax Institute of Malaysia

The RPGT tax was not entirely unexpected but we didn't think it would go through due to the lobby from the property developers.

There has been much speculation in the property industry, particularly in areas like Penang, and people who sell off property after two years for a gain should be taxed because they are profiting with little work.

On a whole, there is not much changes to the taxation structure. We were expecting some changes to the tax band so that lower income tax payers will not be charge for the first RM20,000 or RM30,000 will not be subject to taxes.

But there is not change there nor in corporate taxes, which is good because we are already very competitive on that front. Tax breaks encouraging the tourism industry like the break for four and five star hotels is also good as it spurs a lot of spillover effects in the domestic economy.

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