

## **'GST will make apartment living more costly'**

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Apartment living will be more expensive under the current Goods and Services Tax (GST) scheme unless the services of its joint management bodies are zero-rated, warned several property stakeholder groups.

They argued that the services of joint management bodies (JMB) and management corporations (MC) have been wrongly classified as businesses under the GST Act.

This is despite the fact that they are run by volunteers from the residents of the property, and merely collect money from the residents for the property's upkeep without profiting from it.

"The JMBs and MCs are actually not carrying out business as defined by the Royal Malaysian Customs or the GST Act. They are not in the business of doing business.

"The members of the JMBs and MCs are people like you and me who are staying in stratified properties.

"They are volunteers and they are just carrying the activity of looking after the common interests of the property," said Royal Institution of Surveyors Malaysia (RISM) vice-president Lau Wai Seang (left).

She was speaking at a joint press conference today with the National House Buyers Association (HBA), the Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector Malaysia (Peps), and the Malaysian Institute of Professional Property Managers (MIPPM).

Peps advisor Wong Kok Soo explained that under the present GST scheme that is slated for implementation on April 1 next year, nearly all stratified developments would come under the standard-rated GST tax regime and must impose a six percent GST on their charges, such as maintenance fees, and on sinking fund collections.

An exception applies to low cost and low medium cost stratified developments, which are GST exempt.

However, Wong argued that even the JMBs and MCs of these properties would have to raise their fees by six percent, because most if not all their creditors would still be charging them the tax, such as security companies, pest control companies, and others.

Unlike the management of more expensive properties that come under the standard-rated tax regime, they cannot file claims to the customs department for a rebate of those taxes,

Wong said.

The nett effect of these, Wong argued, is that the joint management of stratified properties of all types would have to raise their fees by six percent.

If zero-rated, the joint management of the properties would no longer need to impose the GST tax on the parcel owners.

In addition, it would still be able claim GST collected from it by other businesses, by filing claims to the Customs Department.

HBA secretary-general Chang Kim Loong (left) said the HBA, Peps, RISM, and MIPPM have lodged a petition to Prime Minister and Finance Minister Najib Abdul Razak urging for the reclassification of all stratified developments areas to the zero-rated tax supply.

The petition, which was also sent to Finance Minister II Ahmad Husni Mohamad Hanadzlah, the two deputy ministers of finance, among others, was sent on Dec 1.

However, apart from acknowledging the receipt of the petition, there has been no response, said Chang.

No consultation

To a question whether any of the groups present at the press conference were consulted about the GST scheme, the reply came in the negative.

“None of us were consulted. That is why I passed a remark just now that there is a lack of thought that went through this GST.

“What are we not consulted? After all we are the professional bodies, we know about stratified properties,” Chang said.

Meanwhile, Wong said that for properties that come under the standard-rate tax, it is mandatory for them register with Customs, and use GST-compliant software and hardware to maintain records and file its taxes.

These would incur more equipment and manpower costs, and mistakes or discrepancies could lead to hefty fines and JMB or MC members being put in jail.

Those who are GST-exempt face no such liabilities and expenses, but also cannot claim for tax relief.

According to Chang, for the late filing of GST, the penalty is a fine up to RM50,000, and imprisonment of up to three years, or both.

“That’s a liability to a committee member. If that’s the case, who wants to serve in a

voluntary position, without payment? Who is going to volunteer? Then you have penalties for incorrect returns," he said.

In addition, Wong (right) said the GST needs to be paid in advance and as though the joint management has a 100 percent collection rate. However many have poor collection rates of 40 to 60 percent due to parcel owners who default on their payment. This means it would have to levy even higher fees in order to make GST filings on time, he said.

When asked about zero-rated services, Wong said these would still need to register with the customs department and maintain records, but would not be exposed to the same penalties as those that come under the standard-rated tax.

"The government should allow for the classification from standard rated, or from low or low medium cost to zero rated.

"Then we can say that Malaysia builds first class buildings, and also has money to maintain first class maintenance, instead of first class buildings and third class maintenance.

"With the application of GST, it will be confirmed that we will confirm that it will definitely become third class maintenance, because of a lack of funds," he added.

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