

Real property gains tax up to curb speculation
The Malaysian Insider
October 7, 2011
By Yow Hong Chieh

KUALA LUMPUR, Oct 7 — The government will impose a 10 per cent real property gains tax (RPGT) for properties disposed of within two years of purchase in a bid to deflate the property bubble.

RPGT for properties sold after two years and up to five years would remain at the current rate of five per cent, while those sold after five years would not be subject to the tax.

Prime Minister Datuk Seri Najib Razak said in his Budget 2012 speech today that current measures to curb speculation had proven ineffective and needed to be strengthened.

“If not controlled, it will put pressure on the price of real estate. In the long run, it will jeopardise the ability of the low- and middle-income groups to buy houses,” he said in Parliament today.

“I am confident the revised RPGT rates are low and will not affect genuine property owners and will curb speculative activities,” added Najib, who is also finance minister.

RPGT has been set at a five per cent flat rate for properties disposed of within five years of purchase since April 1, 2007.

Prior to that, it was 30 per cent for disposal within the first two years of purchase and progressively lower for properties sold in subsequent years.

Property prices have risen dramatically since 2009, driven by low interest rates, aggressive valuations, increasingly expensive launches, a fear that homes will become even more unaffordable and lack of attractive alternative investments.

In markets such as Penang and Kuala Lumpur where an apparent speculative frenzy has taken hold, the increase in prices has been as much as 30 per cent or more in the past 12 months.

This has led to concerns that real estate valuations have greatly outpaced income and is pricing many would-be home owners, especially from the middle-income group, out of the market.

A housing affordability chart carried in The Edge Financial Daily on August 15 showed that property prices had risen from 5.9 times income in 1989 to 10.9 times income last year.

The share of household loans to total bank loans in Malaysia, meanwhile, rose from 35.2 per cent in 2000 to 55.5 per cent in August 2010.

Last year, Putrajaya introduced a 70 per cent loan-to-value mortgage cap on third properties in response to complaints that property prices had spiralled out of control due to rampant speculation.

Several other Asian countries have taken steps to cool their real estate markets including China, Hong Kong and Singapore.

The Malaysian Insider

Copyright © 2011 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/malaysia/article/real-property-gains-tax-up-to-curb-speculation/>