

Najib's property gains tax 'ill-advised', says HBA
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By Lee Wei Lian

KUALA LUMPUR, Oct 16 — The National House Buyers Association (HBA) claims the prime minister's revision of the Real Property Gains Tax (RPGT) was "ill-advised" as the new rate announced in Budget 2012 would only drive property prices up further.

HBA Secretary General Chang Kim Loong said this was because the revised rate would have little impact on short-term speculators looking to flip houses for profit and result in an increase in speculative property investments.

He noted the Real Estate Developers Association (Rehda) had praised the increase of RPGT from five to 10 per cent for houses sold within two years of purchase but had also said that the new measure would be meaningless to short-term speculators looking to flip houses for profit.

HBA Secretary General Chang Kim Loong claimed that it appeared the prime minister had listened to the opinion of business groups with vested interests and agendas. — file pic Chang claimed that while Najib was right to try and ensure that every citizen could afford to have a roof over their head, it appeared that he had also listened to the opinion of business groups with vested interests and agendas.

Balloting for the 1 Malaysia Housing Programme (PR1MA), the government's affordable home ownership scheme, kicked off yesterday with draws for Kompleks Kejiranan in Putrajaya. A whopping over 7,000 applications were received for the 560 home units made available.

"It is unfortunate that our PM has been ill-advised on the true situation," said Chang in a statement to the media yesterday. "Thus, on the contrary, the Rakyat can expect to see an increase in speculative property investments which will in turn further drive up the prices."

Chang pointed out properties are typically not allowed to be sold during the construction stage, which takes two to three years, and therefore, raising the RPGT from five to 10 per cent for properties sold within two years would be meaningless.

Under the revised RPGT, speculators could purchase properties from developers during a launch and flip the properties on completion after two years and would have to pay only the same existing five per cent up to the fifth year, after which all profits are not taxable.

"With additional attractive financing packages, very often these speculators just need to pay the 10 per cent down payment and walk away with a lucrative gain at the end of the construction period," said Chang adding that over-speculation in the market was setting the stage for a property market "meltdown".

Chang said that if the Najib administration was keen to curb speculation, it needed to revise RPGT to 30 per cent for properties sold within two years; 20 per cent for sales between years two and three; 15 per cent for sales between years three and four; five per cent for sales between years four and five; and no tax for properties sold after year five.

Property buyers would also be allowed a one-time exemption from RPGT.

Chang said that such a proposal would not affect genuine homeowners and property investors but would prevent speculators looking to make a quick buck and drive up prices beyond general affordability.

"We urge the PM to seriously consider further and more effective measures to stem the drastic effects of excessive property speculation," said Chang.

"Short-term GDP growth should not be the sole criteria. We need to create a sustainable housing industry and excessive speculation is certainly one sure way to see the bubble burst. More importantly, the social aspects of house ownership should take prime consideration."

The HBA chief also said that the affordable housing scheme under the 2012 Budget, which saw the ceiling price raised from RM220,000 to RM400,000, could potentially be disastrous for participants.

He noted that to buy a RM400,000 property with a 4.75 per cent interest loan would require a minimum monthly salary of RM6,300 as the monthly repayment of RM2,086 should not exceed one-third of a person's income.

"For a household that can't afford to fork out the 10 per cent deposit from their savings, it would be a potential disaster for them to commit to a RM400,000 housing loan," said Chang.

He said that for the affordable housing scheme to be meaningful authorities must push for the construction of more affordable properties in the middle income band which means properties within the RM220,000 to RM300,000 price range.

Rehda president Datuk Seri Michael Yam had in reaction to the 2012 Budget said the association was glad the government was raising the RPGT for the first two years to 10 per cent, noting property development was a key contributor to the country's economic wealth and the new rate would help reduce property speculation and promote stable and healthy growth.

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

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 in 2010.

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.

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