

## **GST For Residential Property Below RM400,000 Should Be Zero-rated - Rehda Bernama**

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KUALA LUMPUR (Bernama) -- Over the last decade prices of residential properties have escalated beyond the affordability of the average wage earner and it seems there is nothing to stop the prices from rising further.

And now there are concerns that the Goods and Services Tax (GST) that will take effect on April 1, 2015 will further push up the prices of already costly high rise dwellings and landed properties.

This may come as a surprise to many Malaysians as houses are actually exempted from GST, meaning developers cannot impose GST on houses that they put up for sale.

Having said that, developers still have to bear with GST on the inputs - bricks, rebar, cement, and etc - in building the houses. As houses are GST exempt, the developer cannot claim the input tax as tax credits.

Therefore, the GST borne by the developer will be embedded in the selling price. In short, the cost incurred due to GST will be transferred to the buyer hence the increase in the prices of the residential properties.

### **THE SOLUTION TO THIS PROBLEM**

Considering the non-claimable input tax, Real Estate and Housing Developers Association (Rehda) wants affordable housing development to be zero-rated, thus the developers can claim input tax and do not have to pass the costs to the consumers.

However, then what is the selling price of properties that is considered as affordable?

Rehda stated all properties priced below RM400,000, should be considered as affordable housing and the government should apply GST relief order on them.

The request was made during the recent National GST Conference 2014 organised by the Malaysian National News Agency (Bernama) and Tax Advisory And Management Services Sdn Bhd.

This step could help mitigate the increase on property prices and has been welcomed by prospective house buyers.

### **WHAT MALAYSIANS ARE SAYING**

A construction engineer, Yap Kwan Meng, 38, felt although there would be no GST for houses, the non-claimable input tax could somehow burden the developers and this would

eventually be passed to consumers.

"They (developers) would have to transfer the costs implicitly through the selling price," he told Bernama recently.

He believes the government will consider giving some exceptions to the developers for the benefit of the consumers.

"I cannot imagine how the middle income consumers including me are going to survive if the house prices goes up next year," he said.

Meanwhile, L. Ramesh Sivanathan, 59, welcomed Rehda's request as it would be a good move for both the developers and also consumers especially with the rising cost of living nowadays.

"If at all the input tax is claimable, then I don't mind, but in this case the government should apply zero-rated for the developers because at the end of the day, we as consumers are affected due to the non-claimable input tax although end-users need not pay GST," said the government servant from Sabah.

Ramesh also suggested that the government provides subsidy for the deserving section of the community to purchase residential properties so that they would not be affected in any way once the GST implemented.

"Now that we have issues raised on developers' side that will impact consumers, but if subsidy is given I think that will be best solution to reduce the burden of middle income earners in line with the principle 'People First, Performance Now'," he pointed out.

P. Rajan Kutty, 28, also believed that subsidy for consumers would help more people own homes.

"How could middle income earners afford to buy houses valued more than RM400,000 especially in the Klang Valley even with both husband and wife's monthly income?," he asked.

The Sarawak Housing and Real Estate Developers Association (Sheda) also concurred with Rehda with Sheda's secretary general Sim Kiang Chiok saying the move would have less impact on the building and construction cost of houses and also the price of houses.

"When the selling prices are not affected adversely, property market will continue to be strong," he was quoted as saying by Borneo Post recently.

#### GOVERNMENT COMING UP WITH NEW GUIDELINE

Responding to Rehda's suggestion, the government is considering to issue a new guideline on relief for the property industry under GST after taking into consideration requests from

Rehda and the public.

The Deputy Director of the Royal Malaysian Customs Department from the GST Division Tan Sim Kiat, said the department is still getting feedback and suggestions that could be taken into consideration for better relief for the entire supply chain of the industry ranging from manufacturers, distributors, retailers and end-users.

Speaking at the conference, he said, the government is listening to everyone and is trying to make sure everything is addressed before the implementation of the GST in April next year.

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