

Maintenance fees for flats, condos may rise more than 10% with GST, says report
The Malaysian Insider
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Maintenance fees for stratified residential properties may increase by more than 10% starting April 1, despite being exempted from the goods and services tax (GST), The Star Online reported today.

Management bodies are mulling hiking the fees of high-rise units to cover the cost of GST incurred from service contractors, Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector Malaysia (PEPS) and National House Buyers Association (HBA) adviser Wong Kok Soo told the news portal.

He said 99% of the maintenance charges collected by joint management bodies (JMB) or management corporations (MC) were channelled to service providers, contractors, suppliers and utilities, which were all subject to 6% GST.

"They will be compelled to increase their maintenance charges to pay the GST input tax," Wong was quoted as saying.

Building Managers Association of Malaysia (BMAM) president Tan Sri Eddy Chen said maintenance fees should be higher than 6% after taking into account defaulters.

"In the case of low and medium cost flats, about 40% of the owners do not pay their maintenance fees of between RM35 and RM70 monthly," Chen was quoted as saying. "So, even if only 50% pay, the maintenance fees will have to be increased by 12% to cover the shortfall and the 6% in GST to be paid to service providers."

BMAM deputy president Tan Sri Teo Chiang Kok told The Star Online that more low and medium cost flat owners may default on their maintenance fees once the GST is imposed.

"We have reminded all JMBs and MCs to call for open tenders and only select those offering the best service at the lowest cost (to keep maintenance fees low)," he was quoted as saying.

BMAM treasurer Prof S. Venkateswaran suggested that JMBs and MCs be granted a blanket exemption from GST, as it would help them save on administrative costs when filing claims for GST refunds.

"No matter which way it goes, GST will invariably bring an up-front increase in costs for all owners, suppliers and service providers," he said.

Last Wednesday, Deputy Finance Minister Datuk Ahmad Maslan said the maintenance fees for all types of apartments, condominiums and flats would be exempted from

GST.

He said the decision was made because the government felt building maintenance would not be a business that would rake in large profits, and that it was a service that affected many people.

Last year, property groups and house buyers associations had claimed that GST would burden residents of low and low-medium cost apartments with higher maintenance cost.

Property industry groups sent a petition in early December to the Prime Minister and Finance Minister, Datuk Seri Najib Razak, pointing out the problems with the low and low-medium cost stratified apartments.

The petition was sent by the Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector, Malaysia (PEPS), National House Buyers Association (HBA), Royal Institution of Surveyors Malaysia (RISM) and Malaysian Institute of Professional Property Managers (MIPPM).

They wanted the government to exempt all categories of stratified properties from GST on management fees. – March 1, 2015.

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