

## RED FOCUS

**TOUGHER:** Last week, we showed how increasing land banks and incentives to developers as well as increasing stamp duty can translate into lower property price. This week, we continue with how higher RPGT, implementation of BTS, and the fine-tuning of affordable housing quota can help to bring down prices



### NATIONAL HOUSE BUYERS ASSOCIATION (HBA)

#### Higher RPGT

##### Current Rules

Current RPGT (Real Property Gains Tax) rates which are too low are as follows:

- Disposal within 2 years of acquisition – RPGT of 15 per cent
- Disposal within 3 years and 5 years of acquisition – RPGT of 10 per cent
- Disposal after 5 years of acquisition – No RPGT

##### Weakness of current rates

Property acquired directly from developer takes two years (for landed property) and three years (for subdivided property) to be completed. Speculators who acquire multiple properties directly from developer and flip upon completion only pay a meagre 10 per cent RPGT.

As such, the current RPGT rules do not penalise speculators who acquire multiple properties.

##### HBA Proposal

- Higher RPGT Rates as follows (See Table 1):

##### Advantages of HBA Proposal

- Penalises speculators who acquire multiple properties;
- Plug loophole on speculators who acquire properties directly from developer and flip upon completion;
- Does not penalise genuine homebuyers and long-term investors;
- Higher revenue for Government to utilise for building affordable housing; and
- Resulting lower property price as a result of real demand for such properties

##### Rising cost (See Table 2)

##### Other measures to curb speculation:

- The Government must ensure that the 10:90 Build-Then-Sell (BTS) housing delivery system is implemented without delay. See Table 3.
- The current quota imposed on housing developers are as follows (See Table 4):

Weakness in the current quota:

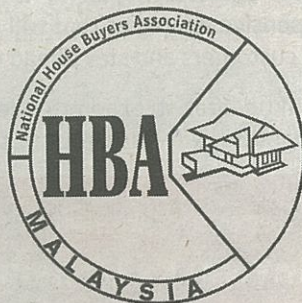
- Low/Medium Cost properties are not based on real demand as some locations are not central or accessible and are rented out to foreign workers or factory workers;
- Certain developers circumvent the Low/Medium Cost quota to build luxury homes under the Open (Bebas) portion by offering an alternative plot of land which is even less ideal;
- Definition of 'affordable' (Mampu Milik) is not clear and varies with location; and
- Ultimately, developers do not build enough affordable properties (Mampu Milik).

HBA proposal is to fine-tune the quota imposed on housing developers as follows (See Table 5):

The improvements in the quota proposed by HBA are as follows:

- Low/Medium Cost reduced to be based on real demand;
- Developers are not allowed to circumvent Low/Medium Cost quota with alternative plot of land;
- 'Affordable' properties' definition is fine-tuned and clearly defined to cater for Middle Income segment; and
- Developers are still free to sell luxury properties under the Open Portion.

To be continued...



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# Tougher rules to plug loopholes

Table 1

#### Higher RPGT Rates as follows:

Holding period from date of acquisition or completion, whichever is the later	First 2 properties	Third and subsequent property
Within 2 years	30%	-
More than 2 years but less than 3 years	20%	-
More than 3 years but less than 4 years	15%	-
More than 4 years but less than 5 years	5%	-
More than 5 years	0%	-
Within first 10 years	-	30%
After 10 year	-	0%

Table 2

#### Rising cost

Government bureaucracy	Duties and infrastructure cost	Bumiputera Discount
Measures	Measures	Bumiputera discount
Shorten approval time and process	Reduce levy of foreign workers	Cap no. of properties eligible for discount – max 2
Allow direct recruitment of foreign workers instead of through middle man	Reduce duties of construction related materials	Cap type of properties eligible for discount – penthouse, semi-D and bungalows to be excluded
Allow faster release of unsold bumiputera quota units	Burdento build infrastructure for utilities such as water, electricity and Telco to be borne by utility Company	Cap on price of properties eligible for discount –depending on location, max at RM1 mil

Table 3

#### Government must ensure that the 10:90 Build-then-Sell is implemented without delay

Implement 10:90 Build-then-Sell	
Weakness of Sell-then-Build	<ul style="list-style-type: none"> <li>Buyers and end-financiers exposed to abandoned projects</li> <li>Messy affair to revive abandoned projects due to multiple vested interest, developer, bridging financier, end financier, house buyers</li> <li>Higher risk of abandoned projects translates into higher interest cost and also higher property prices</li> </ul>
Advantages of 10:90 BTS	<ul style="list-style-type: none"> <li>Buyers insulated from abandoned projects</li> <li>Much easier to revive abandoned projects as only developer and bridging financier</li> <li>Lower risk of abandoned projects translates into lower interest cost and also lower property prices</li> </ul>

Table 4

#### Current quota imposed on Housing Developers are as follows:

Current Quota on Housing Projects		
Low / Medium Cost	Affordable (Mampu Milik)	Open Portion (Bebas)
30%	30%	40%

Table 5

#### HBA proposal is to fine tune the quota imposed on Housing Developers as follows:

HBA's Proposed Quota on Housing Projects		
Low / Medium Cost	Affordable (Mampu Milik)	Open Portion (Bebas)
20%	40%	40%
	20% Price range of RM150K–250K	20% Price range of RM250K–400K