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Meeting objectives with right strategies, feedback

THE property sector is going through challenging times, weighed down by the soft market and overhang of properties in certain areas. Against this backdrop, the 2020 Budget saw the introduction of a number of measures to address these issues.

The proposed rebasing of the real property gains tax (RPGT) to Jan 1, 2013 (from Jan 1, 2000) showed that the government is listening to the rakyat.

The rebasing is a relief to property owners, following the introduction of the minimum RPGT rate of five per cent last year. With the market value as at Jan 1, 2013 taken as the acquisition price for the disposal of real properties acquired before 2013, this change effectively means that any appreciation in value of real property from 2000 to 2012, which may be significant, will no longer be subjected to RPGT.

As a property investor myself, I must say that the adoption of the 2013 value is beneficial as this was the period in which we observed property prices at one of their all-time highs before the government introduced measures to cool down the property market.

With a high acquisition base,

this would reduce the gains chargeable to tax when the property is sold.

The new base is only applicable for disposals from Oct 12.

So, if you have disposed of a property that you have acquired, say in 2005, last month, your full gain from the disposal would have been taxed. If the disposal is made now, only the difference between your selling price and the 2013 market value would be taxed.

What would have been fairer and more impactful to homeowners is to have this measure apply to disposals of properties from the beginning of the year itself (Jan 1 onwards).

Alternatively, a simpler approach could be to just exempt property sales after, say eight years, considering that the RPGT was originally introduced to curb speculation and not meant to be a form of “capital gains tax”.

Another measure which caught my attention is the lowering of the foreign ownership threshold on unsold high-rise properties in urban areas from RM1 million to RM600,000 next year to mitigate property overhang.

There have been concerns that this may lead to developers

launching projects to target foreigners (instead of supplying affordable housing). However, this shouldn't be the case if the relaxation only applies to unsold high-rise properties.

Nevertheless, the new threshold seems rather low, even though this move may indeed address the property overhang in the short term to benefit mass market developers while also aligning with the drive to attract foreigners to Malaysia, such as via the Malaysia My Second Home programme.

As such, there would be a need to assess the potential longer-term impact of the measure on price stability and have specific guidelines to implement this.

In Australia, foreigners are generally allowed to transact only in the primary market, and are not allowed to sell the acquired property to another foreigner.

Another restriction, perhaps, could be to place a minimum holding period to weed out any short-term speculators.

In addressing the challenges surrounding housing affordability, a rent-to-own (RTO) scheme is being introduced to facilitate the purchase of a first home worth up to RM500,000.

While the RTO scheme is not new, with some banks already offering similar schemes, this RTO scheme, coupled with the government's guarantee and stamp duty exemptions, could provide the middle 40 per cent household income group the opportunity to own their first homes.

Such a flexible rental arrangement, with the option to purchase the home at a fixed price after the first year, should be attractive to millennials who may not wish to be tied down to any long-term commitments during this early stage of their career.

It is heartening to see the government introducing measures designed to stimulate the property sector as well as to address the concerns of the rakyat.

However, if Malaysia is to move the needle in achieving shared prosperity for all, we need the right strategies with the commitment from various parties — developers, homeowners and property players alike — to contribute ideas and feedback to ensure that the government's objectives are met.

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