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Making it easier for first-time homebuyers

BY **AHMAD NAQIB IDRIS**

The federal government walked a thin line between helping first-time homebuyers and hampering the property market in Budget 2019.

Stakeholders praised the property-related measures, which are aimed at assisting the B40, M40 and first-time homebuyers. That said, most say there will not be a significant impact on the property market as a whole.

The measures include the agreement by the Real Estate and Housing Developers' Association (Rehda) to cut prices by 10% for new projects; the exemption of Real Property Gains Tax (RPGT) for properties priced below RM200,000; and stamp duty exemption for the first RM300,000 for houses priced up to RM500,000 as well as for existing units priced from RM300,001 to RM1 million.

There are also plans to spend RM1.5 billion on affordable housing via government agencies such as 1Malaysia People's Housing (PR1MA) and Syarikat Perumahan Negara Bhd (SPNB).

Allowing property crowdfunding as an alternative avenue for first-time homebuyers, under the supervision of the Securities Commission Malaysia, is also being considered.

Paramount Corp Bhd CEO Jeffrey Chew says the measures will certainly help to promote home ownership.

"The government is prudent in removing obstacles that affect home ownership, especially for first-time buyers because, apart from food and transport, shelter is one of the main cost concerns," he tells *The Edge*.

He believes that the RM1 billion allocation via Bank Negara Malaysia to help the lower-income group purchase affordable homes, priced up to RM150,000, with low financing rates, will be a catalyst to resolve the affordable housing dilemma.

Chew adds that the adjustments and exemptions made to the stamp duty and RPGT will also address some of the issues of the property market.

The six-month stamp duty exemption for properties priced from RM300,001 to RM1 million is aimed at tackling unsold units, while the higher RPGT and stamp duty for properties priced above RM1 million will encourage developers to build fewer properties in that price range.

RPGT will go up five percentage points to 10% for companies, non-citizens and non-permanent residents, while citizens and those with PR will pay 5%. Stamp duty for property transfers worth more than RM1 million will be raised from 3% to 4%.

But the question now, is whether the higher RPGT and stamp duty will dampen transactions in an already soft property market.

Axis Real Estate Investment Trust chief investment officer Siva Shanker says the RPGT increase will not hurt transactions.

"The increase in RPGT will not affect the market much. People will not stop buying and selling properties just because of the extra five percentage points. I would think that the increase in stamp duty will have a more immediate impact and the one percentage point increase was perhaps unnecessary," he says.

The property-related measures are aimed at assisting the B40, M40 and first-time homebuyers

LOW YEN YEING/EDGEPROP.MY

"Overall, these tax measures are necessary considering the country's fiscal situation, but I hope that some will be reviewed when we regain our footing. In general, I don't think these measures will have much impact on the property market."

Similarly, WTW-CH Williams Talhar & Wong managing director Foo Gee Jen says Budget 2019 was largely neutral for the industry, but adds that the adjustment made to the RPGT "is not healthy".

He says the new tax regime has made the RPGT into "just another property tax", causing it to stray from its initial intention to curb speculation.

"Previously, if investors wanted to dispose of their property after five years, there was no tax. But now, the new regime says investors will have to pay the tax regardless of how long they have held the property as there is no time frame.

"I have reservations about this as the spirit of the act is to curb speculation. In an extreme case, a party who holds a property for 100 years or more would still get taxed, which means that this tax is no longer about speculation but to impose a tax on all property sellers," says Foo.

Kenanga Investment head of equity research Sarah Lim says the budget is not positive for developers, especially the requirement for a 10% price cut.

Considering that developers are already putting discounts on some units in the market, there are also questions as to how house prices will be monitored and how the 10% price cut will be computed, she adds.

"At best, it would be status quo for developers, as margins would either be maintained or be weaker. There is no room to improve margins," says Lee. E