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RPGT now a pure taxation tool, discourages long-term investment

BY **TAN AI LENG**

PETALING JAYA: The revised Real Property Gains Tax (RPGT) rates that took effect from Jan 1, 2019, may lead to quicker disposals upon the fifth year of holding period as there would be no motivation for longer term investment, said a tax expert.

"Sustainability is the core of our property market and the previous RPGT rates have demonstrated its effectiveness to curb speculation activities in the property sector. However, the new RPGT of 5% (from nil previously) on the gains from the disposal of properties for which the holding period exceeds five years for Malaysian individuals will discourage long-term investment," said the Associated Chinese Chambers of Commerce & Industry of Malaysia (ACCCIM) head of taxation committee Koong Lin Loong.

He noted that there were also concerns over the "non-expiry" of the RPGT in terms of the holding period between the date of acquisition and the date of disposal.

"Instead of a tax to curb speculation, RPGT has now become a pure taxation instrument to increase the country's coffers in order to meet the shortfall after the reintroduction of the Sales and Services Tax (SST) to replace the Goods and Services Tax (GST)," Koong told EdgeProp.my.

Although the country does not impose Capital Gains Tax or Inheritance Tax, the imposition of a 5% RPGT for disposal of properties held beyond five years may have a similar significant impact on long-term property owners.

"As this new measure does not have an expiry date, which implies this tax will forever be imposed irrespective of its holding period, it may be viewed similarly to the Inheritance Tax. In addition, in a situation where the properties are inherited from generation to generation, what will be the amount payable as RPGT?" says Koong, who is also the CEO of accounting and tax consultancy K-Konsult Group. He urged the government to consider setting a cap on the RPGT imposition to 8 to 10 years of ownership instead.

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> "The new RPGT of 5% on the gains from the disposal of properties for which the holding period exceeds five years for Malaysian individuals will discourage long-term investment." — Koong

Although Finance Minister Lim Guan Eng has clarified that the RPGT would only be calculated from year 2000, Koong notes that the 1997 financial crisis has caused the crash of the Malaysian economy and house prices had fallen sharply from 1998 and only recovered in year 2000. Hence, if the RPGT has to be calculated from year 2000 onwards, the disposal price now would be much higher than the price in year 2000.

Koong also finds the increase of stamp duty rate from 3% to 4% for the transfer of property worth more than RM1 million with effect from July 1 this year, disappointing.

Malaysian individual property owners now bear extra tax burden (RPGT and stamp duty) to contribute to the country's national revenue while the annual income tax rate has not been reduced, he noted.

On the issue of homeownership, Koong opined that unaffordability and the mismatch between supply and demand of affordable housing as well as difficulties in securing loans are the stumbling blocks to homeownership.

"There is an oversupply of properties priced above RM500,000 but this segment of homes are only within the reach of 5.4% of the population or households earning RM15,000 and above, according to Bank Negara. So what we lack is affordable housing.

"Hence, more concrete measures should be introduced to help fix the issue by selling off the overhang houses and by reducing the supply-demand imbalances in the property market," he said.