

30 SEP, 2019

## Wish list for Budget 2020

The Edge, Malaysia



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REAL ESTATE MATTERS

THE EDGE MALAYSIA | SEPTEMBER 30, 2019

# Wish list for Budget 2020

Affordability continues to be a key issue in the property market. While some measures introduced by the government, such as the Home Ownership Campaign, have helped in some ways, property experts believe much more needs to be done. Turn to page 4.

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# WISH LIST FOR BUDGET 2020

With Budget 2020 just around the corner, *City & Country* asks property experts and stakeholders about their hopes for the property sector. The property overhang and sluggish market remain the key concerns. Nearly all the respondents called for the abolition of the Real Property Gains Tax (RPGT) imposed on properties held for more than five years. Other common suggestions are the revision of the price threshold for foreign buyers, reduction of compliance cost borne by developers and better access to financing for homebuyers. Read on to know what the respondents have to say.

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**DATUK KHOR CHAP JEN**  
PRESIDENT AND CEO  
SP SETIA BHD

**I**n the financial year 2020, we hope the government will review the financing schemes currently available, particularly for first-time homebuyers, and offer better schemes to suit buyers' needs.

With the rising interest from foreigners, we hope the threshold price for purchases by foreigners can be reduced as this can help reduce the property overhang and stimulate the property market.

We would also like to see a further reduction in the cost of doing business, especially the compliance. The removal or reduction of such costs can be translated into cost-savings for property buyers.

Last but not least, we hope the government can provide affordable housing for the B40 group, perhaps under a rental scheme, with some contribution from property developers. This will enable the private developers to concentrate on free-market housing.



**FOO GEE JEN**  
MANAGING DIRECTOR  
CBRE | WTW

**T**o promote home ownership and encourage savings for retirement, the government should revert to the previous tier of zero RPGT for property disposed of on the sixth year onwards.

A simple transparent mechanism for developers to release unsold bumiputera quota units could partially solve the oversupply and soft demand. To reduce the impact of cross-subsidies, bumiputera discounts on luxury properties worth RM1 million and above should be discontinued.

The provision of infrastructure such as roads, electricity, water and telephone should be shared by developers and utility companies. The government should consider selling or releasing more state-owned land to participating developers. Lowering land cost can also help bring down house prices.

Infrastructure enhancement is important. Wider public transport coverage will open up new areas for development. Continuous infrastructure development is key to turning congested major cities into truly sustainable and liveable areas.

Greater transparency and easier price comparisons among competing projects should also be considered. A feasibility study by an independent property consultant must be made mandatory by Bank Negara for all proposed projects to minimise the risk exposure to the property and financial markets caused by imprudent practices.

Malaysia My Second Home (MM2H) has been enjoying good response. It is probably time for the government to review the implication and relevance of the foreign ownership regulations. Alternative control mechanisms such as restricting foreign purchases to primary sales and/or secondary sales from existing foreign owners can help mitigate the impact of speculation.

Research and development and improvement in education are key to achieving a high-value economic status for the country. The government has to lead by giving incentives. The application of the Industrialised Building System (IBS) could be stepped up to improve building quality and cost-effectiveness through research and vocational training.



**TAN SRI LEONG HOY KUM**  
FOUNDER AND GROUP MANAGING DIRECTOR  
MAH SING GROUP BHD

**W**e appreciate the government's efforts to boost housing affordability and encourage home ownership, especially for first-time homebuyers.

We understand that the government is working with Bank Negara and financial institutions to find ways to relax the lending guidelines to enable more first-time homebuyers and members of the lower income group to secure housing loans. We hope this issue could be addressed by proposing a higher debt service ratio, higher margin of financing, longer loan tenure, lower interest rates, taking income from part-time jobs into consideration for loan application reviews, a reduction in employee's EPF contributions and reinstating the Developer Interest Bearing Scheme (DIBS).

We hope the incentives under the HOC could be continued, particularly for first-time homebuyers. We look forward to a fully fledged campaign with added incentives and support from all parties, particularly the introduction of a feasible loan scheme.

In efforts to reduce the property overhang, we echo the Johor government's proposal to ease the process of releasing bumiputera quota residential units that are priced more than RM600,000 by shortening the waiting period from one year to six months while cutting down the approval stages from three to two. We would like to propose that the minimum floor price for foreign buyers be reduced from RM1 million to RM600,000 to clear the existing stock.

In line with the government's efforts to lower housing prices, we propose a cut on the compliance cost. Savings from this can be passed on to homebuyers via a more affordable price point.

We hope the government could consider abolishing the RPGT to boost the secondary market as perpetual RPGT is affecting those who are considering upgrading to bigger homes.



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**MICHAEL GEH**  
 SENIOR PARTNER  
 RAINE & HORNE  
 INTERNATIONAL ZAKI +  
 PARTNERS SDN BHD

**T**he RPGT is hugely unpopular as there is ambiguity in the benchmarking and calculation of estimated gains, which may be subject to dispute. The primary and secondary markets are on the recovery. To maintain this recovery, positive sentiment is important and we hope there will be no sudden jolts or knee-jerk policies and announcements during the tabling of the Budget.

The current market-friendly policies by the housing and finance ministries have stimulated the property market in the past six months. We wish for more market-stimulating policies so that the property market can pick up next year.



**EDWARD CHONG**  
 MANAGING DIRECTOR  
 IJM LAND BHD

**M**alaysia's property sales improved across all segments, thanks to HOC 2019. The campaign, coupled with other measures such as the Sales and Service Tax exemption on building materials, has been generally positive for the property sector. The six-month HOC, which has been extended to Dec 31, 2019, has helped encourage home ownership and boost property sales.

We expect the issues of affordability and tight mortgage lending regimes to remain the key challenges in the property market. In this regard, we hope the government will continue to pursue home ownership as a key national policy, including introducing initiatives that make it easier for buyers to raise the down payments and differential sum and addressing the loan eligibility issue, in Budget 2020. We hope to see initiatives that can reduce the overall cost of development, particularly compliance cost, which will make housing more affordable for all Malaysians.

**T**he RPGT should revert to the 0% structure for the disposal of individual-owned property after five years, or zeroise RPGT after 7 to 10 years of ownership, or five years from the date of vacant possession. The medium-term threshold period will not adversely affect owner-occupiers while still functioning as a deterrent to speculation in the property market.

Prudent pricing and supply flow mechanism to mitigate overproduction or mismatch of products for the property market. A guideline for developers can be formulated to independently review proposed product numbers, types and selling prices to warrant commitments by financiers and banks as well as the approving and licensing authorities.

Loan approval procedures to be more accommodative to the current demographic and employment trends. This will help first-time homebuyers without credit history and those who cannot get loans due to personal financial restructuring situation or maxed-out debt servicing ratio (DSR).

Spur the growth of the secondary market by making it an alternative source of affordable housing through special initiatives such as stamp duty exemptions for properties below RM1 million, instruments of transfer and loan facilities — similar to the incentives given in HOC. Although this would have a limited impact on reducing the residential property overhang, it would still benefit those who are looking for affordable homes and reignite interests in older towns and cities.



**SULAIMAN SAHEH**  
 DIRECTOR OF RESEARCH  
 RAHIM & CO  
 INTERNATIONAL  
 SDN BHD



**SARKUNAN SUBRAMANIAM**  
 MANAGING DIRECTOR  
 KNIGHT FRANK  
 MALAYSIA

**A** property development roundtable should be formed to reduce bureaucracy by ensuring fair and equitable input by key stakeholders, allow issues by stakeholders to be relayed directly and give advice to corporations. The roundtable could also examine and improve affordability in housing. Among the possible measures to look at — use a portion of EPF savings for housing loan instalments, stamp duty exemption on contract agreements and reducing the CIDB levy imposed on total construction work contracts.

Housing policies should be constantly reviewed, including conducting a survey on the qualitative effect of housing policies on supply and demand. For example, a policy for immediate consideration is the removal of RPGT on disposals of properties in the sixth year and beyond.

Introducing a fixed nationwide formula for development-related fees and land conversion premiums will provide certainty and consistency, allowing developers and local authorities to better manage cost and forecast their income. The formula should be flexible and sub-categorised based on the varying nature of districts and mukims, and regional plot ratio, among others.

A sustainable, affordable housing initiative with collaborative efforts by stakeholders should include a waiver or nominal fee for development orders and land conversion premiums, waiver of stamp duty of MOT and MOC, exemption or nominal charges by infrastructure service providers, commercial banks to provide up to 100% end-financing with lower interest rates with longer repayment tenure, and a government-secured fund to bridge the financing gap for homebuyers at minimal interest rates.

A central housing body should be set up to pair prospective homebuyers with the available products. It could also monitor market trends, provide market analyses and advise homebuyers on their housing needs.



**HO KONG SOON**  
 GROUP MANAGING DIRECTOR  
 MATRIX CONCEPTS HOLDINGS BHD



**SAMUEL TAN**  
 EXECUTIVE DIRECTOR  
 KGV INTERNATIONAL PROPERTY CONSULTANTS (JOHOR) SDN BHD

**W**e believe now is the right time to bring down the tax rates to speed up the recovery process in Malaysia's property market. We wish for a reduction in RPGT rates and the removal of the 5% RPGT on disposal even after five years of ownership. The RPGT was intended to curb speculative purchases and the five-year window has served its purpose.

We would like to see the government be more lenient on the release mechanism pertaining to bumiputera units, or a reduction in the allocation for bumiputera units (lower quota policy) depending on the location and type of property. The HOC should be extended to boost the housing market.

The Sales and Service Tax (SST) on building maintenance service charges should be removed. Selected items are exempted from SST while others are not. For example, while utilities are SST-exempt, security services are not. Thus, there may be double taxation, although SST is supposed to be a single-tier tax.

In line with the government's investor-friendly policy, more funding and incentives should be provided to encourage domestic and foreign investments. The government should review the regional economic corridors policy, namely the Northern Corridor Economic Region, East Coast Economic Region, Iskandar Malaysia, Sabah Development Corridor and Sarawak Corridor of Renewable Energy.

To improve the office segment's competitiveness among the neighbouring regions, incentives should be given to the office building landlords/developers for upgrading or developing higher-specification building. For example, MSC Malaysia Bill of Guarantees applying to MSC-status companies/tenants. Landlords/developers should also be incentivised for obtaining MSC status for their buildings.

**I**t is wrong to impose RPGT on properties more than five years. This is seen as a punitive measure against genuine investors. Stamp duty can be tweaked for properties purchased at RM500,000 and below, which will lower cost and encourage more sales in this price range as well as assist in clearing some of the property overhang. To encourage those in the M40 group to invest in properties, a tax allowance can be given.

One of the priorities in 2020 is to reduce the property overhang. The price threshold for purchases by foreigners should be lowered for a year or two to attract buyers in the over-supplied high-rise sector. The price threshold should vary from state to state.

Home ownership should not be the only feasible approach to house occupation. Renting is an option if affordability is an issue. Developers can build houses for rent as a recurrent income. However, incentives need to be given to actualise this.

Demand for housing can be improved if we can attract more investments and create more job opportunities. The SME sector should be strengthened and new export markets opened. Financing should be made available for expansion and further investment.

One of the economic spinners is infrastructure development. While these can be seen in the Klang Valley, such developments should be initiated in other parts of the country.

To avoid an artificial property overhang, especially in Johor, an improved release mechanism for bumiputera quota units should be implemented.

Above all, Budget 2020 should be centred on unity. It must enhance harmony among Malaysians, after months of unnecessary bickering. An atmosphere of stability and harmony is essential to woo investors and create a conducive environment for people to invest in property and other things.

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**DATUK WAN HASHIMI  
ALBAKRI WAN AHMAD  
AMIN JAFFRI**  
ACTING GROUP CEO  
SIME DARBY PROPERTY BHD

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**W**e hope the government will review the minimum thresholds for foreign ownership of properties and the state's levy on foreign property purchases. We believe the government can provide more tax incentives to encourage foreign investors to set up their factories or warehouses in Malaysia as well as remove the 5% RPGT on disposals of properties owned for more than five years, which will help reduce the current property overhang in the country.

We propose a national logistics blueprint to elevate the standard of Malaysia's logistics system and address outstanding issues such as the fragmentation of connectivity and support. The nation's growing industrial and economic activities require an efficient ecosystem to support demand through established multimodal transport modes such as sea ports, airports, rail systems and inland transshipment facilities.

In the advent of automation, more financial support could be directed towards Industry Revolution 4.0 (IR4.0) and technical and vocational education training (TVET). Strategic partnerships with the private sector could also be established to leverage all available resources. The related policies on IR4.0 and TVET need to be materialised via physical existence, which could be undertaken by private entities.

We also wish for main infrastructure and utilities to be developed along new major connectivities such as the West Coast Expressway and East Coast Rail Link. These will boost growth and provide significant economic returns to the communities in surrounding areas.

We hope the government could look into the root cause of unemployment among graduates. Currently, there is a mismatch between courses being offered at universities and demand in the employment market. Unemployed graduates are a waste of human resource for the nation, and this affects its ability to become a developed nation by 2025.



**ANWAR  
SYAHRIN ABDUL  
AJIB**  
CEO AND  
MANAGING  
DIRECTOR  
UEM SUNRISE BHD

▶

**W**hile we appreciate the recent enhancement to the RM1 billion fund for affordable homes, we believe the eligibility criteria should be expanded to include the M40 category by increasing the maximum monthly household income to RM10,000 and property price to RM500,000. In addition to improving the chances of home ownership, this could also reduce the residential property overhang in the country, where 63% (20,410 units) are priced below RM500,000 (according to the National Property Information Centre IQ2019 Property Market Report).

We applaud the success of the Home Ownership Campaign (HOC) in increasing residential property transactions. However, we believe more can be done to further stimulate sales volume and value. The HOC's target market could be expanded to include upgraders while the duration and stamp duty exemption period should be extended for another 12 to 18 months.

To attract foreign buyers, our housing policies could be relaxed by lowering the



**DATUK SOAM  
HENG CHOON**  
PRESIDENT  
REAL ESTATE  
AND HOUSING  
DEVELOPERS'  
ASSOCIATION

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**T**here is a need to improve homebuyers' financing. Among the proposals are criteria for loan approval to be more accommodative with higher margin of financing, new homebuyer-friendly schemes for houses priced up to RM500,000, the expansion of the Budget 2018's step-up financing scheme to include private sector's affordable home offerings, longer loan tenure and reduction of the number of personal loans and credit card approvals.

Deposit payment remains one of the biggest barriers to buying a house. This can be overcome with a number of ways such as allocating a disbursement of the 10% down payment from EPF to be channelled directly to the developer without buyers having to fork out the money first and introducing special financing schemes like those similar to MyDeposit.

Lowering developers' cost of doing business will positively impact house prices. Private utility companies should not impose capital charges on developers

minimum property purchase price and harmonising this value across larger cities. This can be imposed as a temporary measure to reduce the property overhang.

To accelerate the development of urban centres in the country, there needs to be further investment in infrastructure to improve their economic potential and connectivity. The government could allocate more funds for catalytic projects such as MICE (meetings, incentives, conferences and events) facilities and transport hubs as well as provide tax incentives to assist in capital expenditure recovery for common infrastructure undertaken by property developers.

There is potential to further capitalise on the agglomeration benefits in Johor Baru and Singapore by improving connectivity and convenience between the two cities. This includes accelerating the development of the Johor Baru-Singapore Rapid Transit System, streamlining CIQ operations at the Second Link to increase capacity and shorten transit times and hastening the execution of the ferry service to Singapore from the Puteri Harbour International Ferry Terminal.



**JAMES WONG**  
MANAGING DIRECTOR  
VPC ALLIANCE (MALAYSIA)  
SDN BHD

▶

**T**he two major issues on the market are the property overhang and shortage of affordable housing.

To address the overhang problem, we recommend freezing the planning approvals for major towns where the situation is serious, relaxing guidelines to encourage more foreigners to buy properties in Malaysia and reducing the price threshold for purchases by foreigners.

In terms of affordable housing, there should be extensive research on choosing the locations and assessing the demand and supply, pricing and homebuyers' income levels. We recommend that local authorities should be given the mandate to determine the right pricing of affordable housing, subject to a price cap of RM400,000.

We suggest that state governments and other government institutions release their land and form public-private partnerships to build affordable housing. We recommend using IBS for the building of affordable houses and that the government provide tax incentives to developers.



**DATUK CHRISTOPHER BOYD**  
EXECUTIVE CHAIRMAN  
SAVILLS MALAYSIA

▶

**I** believe Malaysia is going to need tourism more than she currently does, and it has to be understood that all of Malaysia's wonderful natural and built heritage is a priceless asset under threat.

In terms of heritage buildings, the federal government had passed the National Heritage Act in 2005. Under this Act, every state planning authority is supposed to list and gazette buildings and places that warrant preservation. This has not happened and much of the country's irreplaceable built heritage (outside of the two heritage zones in Penang and Melaka) could be lost piece by piece forever.

My only wish is that the federal government will make the state governments observe this Act. Attractive tax incentives, such as treble taxation allowance, could be given to taxpayers who properly restore gazetted heritage buildings.

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**A**lthough the Malaysian Investment Development Authority's latest figures show that the country's approved foreign direct investment grew last year, we feel that there is still room for improvement. Malaysia can leverage the US-China trade war by getting government investment bodies and consultants to form a think tank to actively promote Malaysia as the destination for investment. In addition to the conventional services and manufacturing sectors, focus can be placed on the technology and digital sectors. Emphasis should be made to incorporate artificial intelligence in various sectors to transform the economy into a higher value one.

Public venture capital funds should be encouraged to work with developers to build, manage and operate industrial parks. Improving innovative industrial



**Y Y LAU**  
**COUNTRY HEAD**  
**JLL MALAYSIA**

properties, such as agile logistics and flexibility in the use of warehouses, can help industries that are operating in volatile market conditions as well as assist operators to enhance efficiency and productivity by deploying facilities that incorporate IR4.0.

The Circle Line (MRT3) should be revived to improve connectivity and enhance efficiency, accessibility and worker productivity.

Developers/operators should enforce mandatory submissions, especially on transactions, buyers' profile and occupancy of developments. This will enable the data to be used as a decision-making tool.

Since the 5% hike in RPGT was imposed starting Jan 1, 2019, certain investors are reconsidering investing in property due to the high cost of exit. Waiving the RPGT for properties held more than a certain number of years will be fair to individuals or companies that did not acquire the properties for speculation purposes.



**LIM BOON PING**  
**PRESIDENT**  
**MALAYSIAN INSTITUTE**  
**OF ESTATE AGENTS**  
**(MIEA)**

**T**he RPGT should be waived on properties owned more than five years. The tax is to curb short-term speculation and it should not be used to penalise property owners who treat their property as a long-term investment.

Stamp duty should remain at a maximum of 3% at the highest tier. Stamp duty is the most direct and effective way to control the property market. However, imposing the 4% currently may dampen an already soft market.

The HOC should be extended to the secondary market. While the government has been successful in helping Malaysians own their first home through HOC 2019, many at the grassroots level cannot help but ask, "Is the government trying to help the rakyat or the developers?" All the hype and marketing efforts for HOC are focused on the developers' units while secondary properties account for more than 60% of transactions in total and should be given equal treatment.

Lending based on gross income instead of net disposable income should be reintroduced. The high loan rejection rate today is mainly due to responsible lending policies, which only look at one's net disposable income. Many countries, including Singapore, are lending money based on gross income and it is proved that there are no issues with such policies.



**PREVINDRAN SINGHE**  
**CEO**  
**Zerin Properties**

**T**here should be more investments in education and Malaysia's connectivity vis-à-vis airports and flight routes. Agent-centric tax incentives for travel in selected countries should be considered.

The government should impose similar taxes on home-sharing platforms applicable to hotels and revert the RPGT rate to zero on the sixth year.

Cheaper loans for affordable homes via profitable banks should be introduced as developers should not be the only ones carrying this burden. The Investment Tax Allowance (ITA) should also cover medical tourism and related facilities and cruise tourism, especially for terminals.



**DATUK BEH HUCK LEE**  
**GROUP MANAGING**  
**DIRECTOR**  
**EUPE CORPORATION BHD**

**T**he government should encourage the use of new technologies — IBS and Building Information Modeling — including smart and green technology in buildings. These technologies have a major potential to streamline property construction, increase productivity in one of the economy's biggest sectors and potentially offer cost-savings for homebuyers.

Certain government expenditures should be made for the development of infrastructure such as major waterworks in Kuala Lumpur and major population centres. This will serve as a means to provide more impetus for construction activity. While this may put short-term pressure on government spending, the multiplier effect on the economy will be substantial.

There should be a more relaxed monetary policy and the DIBS should be reintroduced to boost domestic demand. This will spur the property market and make housing more affordable for genuine homebuyers.



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### SUMMARIES

COMPILED BY CITY + COUNTRY TEAM Affordability continues to be a key issue in the property market. While some measures introduced by the government, such as the Home Ownership Campaign, have helped in some ways, property experts believe much more needs to be done. Turn to page 4.