

Headline	Revenue loss from uncollected strata titles		
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AS a result of owners not collecting their strata titles, which involve stamp duty payments and registration fees, the government is not receiving revenue, which may run into millions of ringgit, in a timely manner.

Real Estate and Housing Developers' Association says this is an old issue. While the government will not lose this revenue, it is a question of when.

Rehda president Datuk Soam Heng Choon says: "It is a timing of the revenue."

The federal government is deprived of stamp duty revenue in a timely manner and the state land offices of registration fees and the lawyers, their fees.

The scale

They have to pay stamp duty to the Inland Revenue Department according to a scale. For the first RM100,000 it is 1% or RM1,000 per parcel.

If the property is more than RM1mil, it is 4% or RM40,000. Which means the government is deprived of the stamp duty revenue. The tax is based on the purchase price as stated in the sales and purchase agreement.

The state land office also misses out on the revenue in a timely manner. In Selangor, the registration fees an owner has to pay to procure the title ranges between RM50 and RM1,500. This amount varies state to state.

The buyer also has to pay legal fees.

Soam says there are many unclaimed strata titles in developers' offices.

"The strata title is a very important document but owners fail to realise its significance."

In the event that it falls into dishonest hands, another person can apply for a loan using that document, or lay claim to the property.

He says there legal provisions to compel developers to apply for strata titles with vacant possession, but no compulsion for buyers to collect them.

He said banks, having given house buyer a loan, can "perfect the charge", that is, make that transfer to the owner.

"So everybody - the buyer and the bank - has a role to play. Developers have done what they are required to do, that is, apply for the title," says Soam.

The National House Buyers Association honorary secretary-general Datuk Chang Kim Loong says property owners are short-changing themselves besides depriving the government of an important source of revenue.

"Owners do not collect the titles because they are already enjoying the property. They see no reason to fork out additional money to do the necessary to procure them, despite they being proof of ownership," says Chang.

Chang says he had, several years ago, closed this floodgates with Section 40A of the Strata Titles Act 1985 whereby the owner can be fined no less than RM1,000 or not more than RM10,000 if he fails to collect the document, and if a developer fails to apply for it.

However, in 2015, this provision was deleted by Strata Title Amendment Act 2013 which came into force on June 1, 2016.

It is not known why this provision was deleted because with a stroke of the pen, the different authorities misses out on the revenue in a time-

Revenue loss from uncollected strata titles

Federal government not receiving timely stamp duty revenue



Wrong move: Owners do not collect the titles because they are already enjoying the property and see no reason to fork out additional money to do the necessary to procure them, despite they being proof of ownership. — Bloomberg

Stamp duty for sale and purchase agreements/ transfer of property*

Purchase price or adjudicated value	Scale of adjudicated
First RM100,000	1%
RM100,001 - RM500,000	2%
RM500,001 - RM1mil	3%
Above RM1mil	4%

* stamp duty revenue goes to Tax Dept
Source: Income Tax Dept

Selangor land office registration fees

RM50,000 and below	RM50.00
RM50,001 - RM200,000	RM200
RM200,001 - RM500,000	RM400
RM500,001 - RM1mil	RM500
RM1mil and above	RM1,500

This monies go to the land office, amount differs from state to state
Source: Selangor land and mines office



"The strata title is a very important document but owners fail to realise its significance."

Datuk Soam Heng Choon

ly manner.

Chang says strata titles are so important that the government is setting aside a special buildings fund of RM12mil for some stratified projects in the Chow Kit area.

He says these are very old buildings and their building plans are missing. Because the buildings are already there, the plan is to come up with a "as built" plan to help the owners to procure the ownership document.

Property Real Estate Lawyers Association president Datuk Pretam Singh Darshan Singh says buyers

not collecting their titles "is not a developed world mentality."

According to Pretam, in 2015 Section 40A was re-introduced as Section 19A but it was not gazetted.

"Today, developers do not have legal recourse to force buyers to collect their strata titles. There must be a legal avenue to do force buyers to pay the necessary dues and do the necessary," he says.

Why are strata titles important? When you buy a car, the owner is given a registration card to proof his ownership.

Likewise, when you buy a proper-

ty, it comes with either a grant, for individual landed properties, or a strata title as in a high-rise unit, and sometimes now a landed unit in a stratified project.

Chang says: "Should the developer goes under liquidation or becomes insolvent, the unit owners will have to go through a lot of trouble or might eventually have to pay for the application of the strata titles themselves, which by the grand scheme of things, should not have happened in the first place."

A third party, in this case the liquidator, may impose administrative charges of between 2% and 3% as their 'consent/ verification' fees, he says.

A prevalent problem

Ann works for a developer. She bought a condominium unit from her employer about 10 years ago.

Ann never attended the management AGMs and neither does she

want to. Despite working for a developer, she sees no need to collect her title.

Her rationale: she is already enjoying the property and she does not want to incur the additional cost. In the event she wants to sell the property, she can do so even without the strata title.

Ann has failed to understand that the strata title is proof of her ownership.

She has also failed to realise that in the event the developer goes bankrupt, she may end up having to pay extra charges to a liquidator to procure the document. That document is now sitting in her former employer's office.

In the event she has taken a loan, that document is with the bank. She is paying her mortgage payments on time and neither does the bank want to raise the issue.

In short, she is living in a house where she does not have that document that proves her ownership.