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KATHY B.

## SALE GAINS TAX

**R**EAL Property Gain Tax (RPGT) is a good mechanism to curb market speculation. However, its objectives need to be better defined, says PropertyGuru Malaysia country manager Sheldon Fernandez. "Is it a means for the government to generate revenue? Or will its primary purpose be to prevent market overheating and quick rises in property prices? The objectives must be clearly defined," he said.

Fernandez said buying sentiment in Malaysia has largely been driven by owner-occupiers and long-term investors, noting that speculators, by and large, have exited the Malaysian market post the many cooling measures imposed gradually from 2010 and onwards.

He said there is little justification for the RPGT imposition as a means to curb speculation when such activity is hardly rampant in Malaysia today.

RPGT is a tax chargeable on the profit gained from the disposal of a property and is payable to the Inland Revenue Board. As such, it is only applicable to a seller. It was suspended in 2008-2009 but reintroduced in 2010.

A chargeable gain is the profit when the disposal price is more than the purchase price. The tax applies to both residents and non-residents.

If the disposal price is lower than the acquisition price, there is no profit gained and therefore no RPGT is payable.

# PropertyGuru: Need to further define RPGT

Starting January 1, Malaysians who sell their property in the sixth (and subsequent) year of ownership will have to pay a five per cent RPGT. Previously, homeowners who sold their properties after the fifth year of ownership were not required to pay RPGT on the profits earned.

For foreigners and companies, they will have to pay 10 per cent. This was announced during the 2019 Budget tabling in November last year.

Fernandez expects sellers to be under pressure to factor in the five per cent RPGT into their absolute selling prices.

"This will be on top of real estate agent fees, legal fees and other costs. But can sellers really raise prices amid a down-trending market? The situation is certainly challenging for many post-2019. It does not have any major stimulus impact for buyers as well.



**Sellers to be under pressure to factor in the five per cent RPGT into their absolute selling prices.**

**SHELDON FERNANDEZ**  
PropertyGuru Malaysia  
country manager

"The whole idea of RPGT is to curb quick selling of properties by flippers or speculators, to control market prices. It was not really meant to be a revenue stream for the government, which, if anything, was only a secondary objective. Hence, by having five per cent in perpetuity, we have in effect moved away from the original purpose of curbing major price increases to taxing the rakyat on their hard-earned investment gains.

"If this is the case, why only properties? Other investment instruments and asset classes should also be taxed for gains. In fact, in encouraging greater public transportation usage, perhaps purchase and sales of cars could be taxed, with either car manufacturers or buyers or both being taxed and the funds channelled to the government coffers," he said.

On the five per cent RPGT contribution to the government, Fernandez said it would certainly boost the government coffers.

"Real estate transactions are usually substantial in overall sum of the sale and purchase price. But whether it will have a positive effect on the market, that remains a question, [answer of which] we may have by end-2019, if not sooner.

"If perhaps, the five per cent (RPGT) is used to subsidise affordable or public housing, a case can be made for it. But, even this may be a point of contention as the rakyat may feel it is unfair that their hard-earned funds are being used to subsidise public housing when the onus is on the government, its relevant ministries and agencies as well as the private sector to resolve this issue," said Fernandez.

