

AUTHOR: Alan Tong SECTION: STAR BIZWEEK PAGE: 15 PRINTED SIZE: 398.00cm<sup>2</sup> REGION: KL MARKET: Malaysia PHOTO: Black/white ITEM ID: MY0036894776

10 AUG, 2019

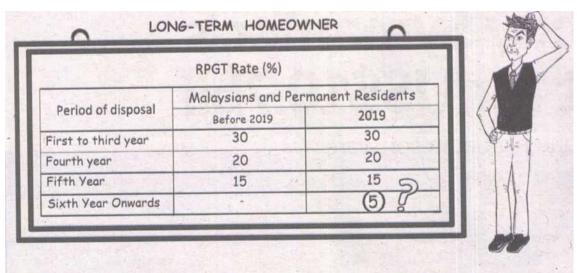


## Encouraging long-term property investment

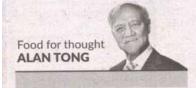


The Star, Malaysia

Page 1 of 2



## **Encouraging long-term** property investment



A FRIEND recently lamented that he had to pay for Real Property Gain Tax (RPGT) after selling a condominium he bought 10 years ago. The capital gain was meant to fund his son's tertiary education.

The change in RPGT took effect this year with our government's announcement that all properties sold in the sixth year and onwards by Malaysians or permanent residents would be taxed an RPGT of 5%. Previously, RPGT was only imposed on properties sold within the first five years to curb speculation.

The latest revision has affected homeowners who bought properties for own occupation, investment or even as a hedge against inflation. They had the intention to hold the properties for long-term rental income or capital appreciation, and not for speculation.

This issue was raised by the National House Buyers Association (HBA) secretary-general Datuk Chang Kim Loong in his article and interview. He has advocated for a reversal of RPGT imposed on properties sold after five years.

I share his sentiment. It is not fair to "penalise" such homeowners with tax as they are genuine purchasers with long-term plans for their properties.

One should not be penalised for wanting to sell one's property of more than five years particularly if the property is used as an investment for "rainy days".

It will also stifle the market by reducing the demand for new properties available for rental and eventually cause rental rates to increase due to a decline in supply.

According to statistics shared by Khazanah Research Institute, the percentage of home ownership in Malaysia was 72.5% in 2010, higher than in Australia, United Kingdom and the United States which stood at 68.1%, 67.4%, and 66.5% respectively.

The statistic shows that more than one-quarter of Malaysians are still renting the properties that they stay in. We need some homeowners to buy more than one house to rent to people who haven't or aren't prepared to own a home.

As shown in the home ownership rates above, there is always a certain percentage of the population around the world that will not buy a house. The population who don't own a house would have to rent from other homeowners or the government.

Therefore, we need to continue encouraging long-term home ownership whether it is for own stay or rental income. We need to encourage single and multiple home own-

erships to make home rental rates affordable.

People shouldn't be punished for long-term ownership even if they have bought several properties. With more supply in the market, the rakyat can enjoy more choices at more affordable rental rates.

It is always a better option for

It is always a better option for people to buy a house that will appreciate in the long term which I consider as "good debts", which is much better than to indulge in "bad debts" such as credit card, personal and car loans that are harder to manage, more expensive, spent on depreciating assets, and could lead to excessive spending.

The government should, therefore, implement policies that encourage long-term investment and discourage the accumulation of bad debts.

We know for a fact that it is a good habit to save up for the future. Purchasing properties is one of the modes of doing so.

In view of the pros and cons mentioned above, our government should consider reverting to the previous RPGT scale to encourage long-term property ownership, to safeguard the rakyat's investment and quality of life.

Datuk Alan Tong has over 50 years of experience in property development. He is group chairman of Bukit Kiara Properties. For feedback, please email bkp@bukitkiara.com. The views expressed here are solely that of his own.



AUTHOR: Alan Tong SECTION: STAR BIZWEEK PAGE: 15 PRINTED SIZE: 398.00cm<sup>2</sup> REGION: KL

MARKET: Malaysia PHOTO: Black/white ITEM ID: MY0036894776



10 AUG, 2019

## Encouraging long-term property investment

REHDA

The Star, Malaysia

Page 2 of 2

## **SUMMARIES**

A FRIEND recently lamented that he had to pay for Real Property Gain Tax (RPGT) after selling a condominium he bought 10 years ago. The capital gain was meant to fund his son's tertiary education. The change in RPGT took effect this year with our government's announcement that all properties sold in the sixth year and onwards by Malaysians or permanent residents would be taxed an RPGT of 5%.