

Has home ownership been made easier under Budget 2018?

By *Tham Lih Jiu*

BUDGET 2018 was unveiled on Oct 27, 2018. The continued soaring prices have made home ownership a daunting task for many Malaysians including the M40 and B40 groups. This is especially so in the Klang Valley where the average price of a house is RM772,126 (3Q16). Hence, there were expectations that measures to ease home ownership would be proposed. This article examines the relevant goodies announced and others that could have been.

As before, the government has made affordable housing a focus in Budget 2018. Some RM2.2 billion was allocated to increase the supply of affordable homes totalling 257,900 units, and the bulk of which — RM1.5 billion — was allocated to build 210,000 units of 1Malaysia People's Housing Programme (PR1MA) houses, priced at not more than RM250,000 per unit over the next two years.

The step-up financing scheme will also be extended to purchasers of homes developed by private developers to ease the burden of home ownership. These measures are commendable but more could have been done to make affordable housing projects more appealing to private developers and purchasers alike. While the latest announcement to cap house prices at RM250,000 and below for PR1MA projects will benefit purchasers, this may further suppress the ability of developers to participate in such schemes given the low margins, if any at all.

Cement and steel may constitute more than 65% (under piling and main building works) of total building cost. The imposition of import duty, and goods and services tax (GST) on such materials will result in a higher cost base for the developers, hence eroding their margins. Therefore, any grant of GST and import duty relief on those materials used to construct affordable housing would lower the cost borne by developers and incentivise them to continue participating in PR1MA projects.

The cost of supply of homes can be further reduced with the adoption of the Industrialised Building System (IBS) for affordable housing programmes if economy of scale can

be attained. Currently, there are tax incentives available for IBS manufacturing companies and exemption of construction levy for housing projects with a minimum IBS score of 50%. Enhanced tax incentives such as a 100% investment tax allowance should be offered for IBS manufacturing, training programmes, research and development.

Certain measures could have been implemented to make affordable housing more accessible to M40 and B40 households. We remain hopeful that the government will further enhance the current stamp duty remission or exemption for first-time buyers of residential properties valued between RM300,000 and RM500,000. Currently, only partial stamp duty exemption is granted for loan agreement and the property, capped at RM1,500 and RM5,000 respectively. If both were to be given full exemption, this would result in additional savings of up to RM1,000 and RM4,000 on the loan agreement and property transfer respectively for the house buyer. The overall socioeconomic benefits arising from a higher rate of home ownership will far outweigh the loss of stamp revenue. A tax relief on interest on housing loan — capped at, say RM10,000 for three consecutive years — would have come in handy for first-time owners.

The Developer Interest Bearing Scheme (DIBS) was removed in Budget 2014 to manage the escalating real property prices in Malaysia. To ease the burden of financing the purchase of affordable homes, the government should consider reinstating the DIBS. To prevent abuse of this scheme, the DIBS can be offered to targeted first-time homebuyers for properties capped at a certain price.

Increasing affordability and accessibility of low and middle-income households is one of the priorities under the 11th Malaysia Plan. While Budget 2018 addresses some of the home ownership concerns, I look forward to more impactful measures to be introduced in next year's budget.

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