

PRESS STATEMENT

Petaling Jaya, 21 July 2009

Increased Building Cost despite Easier Stamp Duty Assessment

The Real Estate and Housing Developers' Association Malaysia (REHDA) urged the Government to reconsider imposing the stamp duty assessment rate of 0.5 per cent on all construction services agreements which came into effect on 1 January 2009 as it is only burdening members of the building fraternity, including contractors, consultants and developers.

REHDA President, Datuk Ng Seing Liong expressed that the amendment to Item 22 of the First Schedule of the Stamp Act 1949 is only applicable to bond, loan and service agreements and does not affect construction contracts. "We strongly object to the imposition especially during this trying time, the imposition of such rate will certainly have serious repercussions to the industry", said Datuk Ng. "With the 0.5% stamp duty rate, a RM10 million Construction Contract for example will now attract an ad valorem duty of RM50, 000 whilst previously only a nominal duty of RM10.00 per document was imposed regardless of the contract amount. This will definitely push up building costs," added Datuk Ng.

REHDA strongly insists that the government reviews the need to impose stamp duty at ad valorem rate which will inevitably result in the upsurge of construction costs. "We believe that the imposition of additional stamp duty on Construction Contracts is inconsistent and counter-productive to the policy and objectives set out in the stimulus package plan to drive the economy out of the turbulent financial crisis via generating economic activities in the construction industry," said Datuk Ng. "Instead, properties will eventually become more expensive after factoring in these extra costs" he added.

Datuk Ng further stated that whilst the amendment may simplify the stamp duty assessment process, it will only result in damages to the construction industry and the Malaysian economy as a whole. REHDA is seeking the government to consider exempting the imposition of the new stamp duty rate on all service agreements without security including consultancy contracts, operation, maintenance contracts and etcetera.

REHDA sincerely hopes that the government will understand the industry's predicament and assist them by considering retaining the stamp duty rules as previously practised in order to generate domestic growth to support the Malaysian economy and stir interest towards property purchase.

Issued by:

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