

BUDGET CONSULTATION 2011
THEME: TOGETHER, STRIVING TOWARDS A HIGH-INCOME ECONOMY

With due cognizance of the budget theme ‘Together, Striving Towards a High Income Economy’ and the aspirations of the Nation as expounded in the Government Transformation Plan, the New Economic Model and the Tenth Malaysia Plan, REHDA Malaysia would wish to submit the below listed for due consideration of implementation for Budget 2011.

NO	PROPOSAL	RATIONALE
1	<p><u>National Home Ownership Campaign</u> It is proposed that a National Home Ownership Campaign should be launched by the Government of Malaysia with REHDA Malaysia as the accredited agent to promote affordable home ownership featuring:</p> <ul style="list-style-type: none"> • Stamp Duty Waiver • Reduced end financing rates by financing institutions • Discounted legal fees by Bar Council and MRTA insurance premium 	<ul style="list-style-type: none"> • To promote affordable home ownership to the bottom 40% household and the advocacy of a ‘one family one house’ concept for this target group. • A redistributive measure which is affirmative to promote an inclusive growth by way of building capacity and capability in the purchase of affordable housing.
2	<p><u>Abolishment of the Mandatory Delivery of Low Cost Houses</u> It is proposed that the imposition of a mandatory delivery of a given percentage of low-cost houses by developers be withdrawn and that this be substituted by the delivery of low-medium cost houses.</p>	<ul style="list-style-type: none"> • The 10th Malaysia Plan has provision for Federal funding for the delivery of 78,000 units of low cost public housing which is to be sold to families with household income of less than RM2,500.00. • This proposal is consistent with the ‘Strategic Reform Initiative 1’ of the New Economic Model covering ‘Re-energising the private sector to drive growth’ by way of removing unnecessary barriers and the cost of doing business.
3	<p><u>Revision of EPU Guidelines of the RM500,000.00 Threshold Price for the Purchase of Residential Properties by Foreigners</u> With effect from 1 January 2010, the EPU had revised the threshold price for foreigners’ acquisition of residential properties to RM500,000.00 from the previous threshold price of RM250,000.00.</p> <p>It is proposed that the threshold price be revised back to RM250,000.00</p>	<ul style="list-style-type: none"> • In the 10th Malaysia Plan under the Section, ‘Reforming the Labour Market to Transform Malaysia into a High Income Nation’ and in particular the sub-section covering ‘Simplifying Procedures and Providing Better Incentives to Attract Foreign Talent’ it provides that foreigners will be allowed to purchase residential properties RM250,000.00 and above. • This amendment is consistent with the policy objective of EPU of protecting the vulnerable groups and the affordable housing sector of under RM250,000.00.

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4	<p><u>To provide further Incentives for the Adoption of 'Industrialised Building System' (IBS)</u></p> <p>It is proposed that further incentives be provided for the accelerated adoption of IBS:</p> <ul style="list-style-type: none"> • Sales tax exemption for all accredited IBS material. • Double tax allowance for all machinery and equipment incurred by developers in the production of all IBS material. 	<ul style="list-style-type: none"> • The only incentive currently provided to developers for the adoption of IBS is a CIDB levy relief. • Make IBS material more price competitive and accelerate its implementation. • Improve productivity of workers and hence remuneration thereof.
5	<p><u>To Provide further Incentives for the Adoption of 'Green Technology' by Developers</u></p> <p>It is proposed that further incentives be provided for the accelerated adoption of 'green technology' by developers:</p> <ul style="list-style-type: none"> • Sales tax exemption for all accredited 'green technology' material. • Double tax allowance for all cost incurred in providing 'green technology'. 	<ul style="list-style-type: none"> • This is in support of the National Energy Efficiency Master Plan 2010 and the Renewable Energy Policy and Action Plan. • The only incentive for the adoption of 'green technology' is in the proposed 'Feed-in Tariff' for photovoltaic and solar energy production of the 10th Malaysia Plan.
6	<p><u>Exemption of Construction Contracts from Ad Valorem Duty</u></p> <p>In the Budget 2009, construction contracts were classified as service contracts thereby incurring a ad valorem stamp duty rate of RM5.00 for every RM1,000.00 or 5% of contract value. However this was waived by a Stamp Duty Remission Order to allow a rate of RM50.00 with the remaining stamp duty remitted until 1 January 2011.</p> <p>It is proposed that construction contracts should forthwith be reclassified and that it should incur a nominal stamping fee of RM50.00 only.</p>	<ul style="list-style-type: none"> • This proposal is consistent to the New Economic Model objection of reducing the cost of doing business. • In the eventuality, all profits realized would be subjected to income tax at the prevailing rate.
7	<p><u>Reducing Cost of Home Ownership</u></p> <p>Among the measures announced by the Government under the Second Stimulus Package in March 2009 is a tax relief on interest incurred on housing loans up to RM10,000 for 3 years to help reduce cost of home ownership and further spur buying interest among buyers.</p> <p>It is proposed that all interest incurred on end financing to finance the cost of purchase of corresponding house can be fully offsetted against personal income tax.</p>	<ul style="list-style-type: none"> • To help reduce the cost of home ownership and further promote home ownership amongst all levels of the rakyat.

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8	<p><u>Revision of the Bumiputera Quota Policy</u> REHDA is urging for a review of the Bumiputera housing policy and advocating firmer and more transparent guidelines for a more consistent implementation of the Bumiputera quota policy and its release mechanism.</p> <p>It is critical to free capital tied up in the form of unsold Bumi quotas as such move will help convert these unproductive assets into cashflow and help developers reinvest into the sector, thus further generating economic activities.</p> <p>REHDA proposes:</p> <p>a) <u>The Bumiputera quota should be standardized across all States, and should not exceed 30%.</u></p> <p>b) <u>Implementation of a standardised, structured and transparent Bumiputera quota release mechanism</u></p> <p>The automatic release of unsold Bumiputera units to the open market shall be given upon:</p> <ul style="list-style-type: none"> • 50% to be released after 6 months from the sales launching date, 25% to be released after 12 months, and the balance 25% to be released after 18 months; • Blanket release for all completed unsold Bumiputera lots; • Developers should not be penalized with any form of levy or payment to any authorities or their agencies as a result of these quotas not taken up by the target group <p>c) <u>No imposition of new conditions on titles for Bumiputera units</u> Imposing conditions and limitations on the titles for Bumiputera units will only create restriction-in-interest on the property and be viewed by the market as unpreferred property, even resulting in Bumiputera purchasers preferring to buy Non-Bumiputera units.</p>	<ul style="list-style-type: none"> • The re-sale of such bumi lots are somewhat restricted as they can only be sold to other bumi purchasers. This restriction creates a negative effect whereby the market value appreciation of such ‘unpreferred’ properties would either be low or in many cases depreciate leaving the owners worse off. This would be counter-productive to the government’s efforts towards a high income economy through wealth creation. • Such release mechanism will boost economic activities in the following ways: <ul style="list-style-type: none"> a) allow the developers to recover sales value and improve cashflow which can be re-invested. b) reduce the cost of doing business and make the property market more efficient in resource allocation. c) Poor cashflow arising from the above can lead to project abandonment.

NO	PROPOSAL	RATIONALE
	<p>d) <u>Bumiputera quota achieved based on sales</u> Bumiputera quota to be considered achieved based on sales, irrespective of whether the units sold to Bumiputera were the identified lots or not. In other words, Bumiputera buying Non-Bumiputera lots would count as contributing towards fulfilling the Bumiputera quota.</p> <p>e) <u>Property price cap for bumi discounts</u> The bumi discounts should only be applicable to properties below RM250,000.</p> <p>Low cost housing should be excluded from such discounts as they are heavily subsidized products.</p>	<ul style="list-style-type: none"> • Bumiputera discount is a form of subsidy and the government should re-look/review and allow such subsidy be given to the needful ie houses below RM250,000.