

SST not sole determinant, says Rehda

KUALA LUMPUR: The Sales and Service Tax (SST) alone does not determine the reduction of house prices but must be supported by other cost-reduction mechanisms, including in compliance and construction components costs.

Real Estate and Housing Developers Association (Rehda) president Datuk Soam Heng Choon said SST is one of the factors that can contribute to the reduction in prices.

"There are many other costs the developers have to bear and the problem needs to be scrutinised to help reduce the cost of construction.

"For example, developers now bear the compliance cost of between 20 and 25 per cent, which also results in the increase in house prices.

"So, if the cost can be reduced by at least five per cent plus SST, it can have a significant impact on house prices," he said, here, recently.

Deputy president Datuk Khor Chap Jen also believes the cost of doing business in property development has risen significantly over the years.

"It is not only contributed by high cost of construction materials, but also by various other charges.

"This increases put pressure on business models of property developers who need to provide sufficient allocation to meet industry demand," he said.

He said a study must be done to either reduce or eliminate any charges in the process of building a home so that developers will be able to offer more affordable prices to buyers.

Previously, the government had planned to reduce the cost of compliance in an effort to increase affordable housing developments beginning next year.

Housing and Local Government Minister Zuraida Kamarudin was quoted as saying that the cost of compliance would be

borne by utilities-related companies.

Finance Minister Lim Guan Eng had given until month-end for property developers to reduce house prices, failing which the SST on construction services will be reimposed on them.

Khor said in order to reduce house prices, concerted efforts needed to be made to ensure reduction in some aspects, including legal requirements, cross subsidies, building materials and labour costs, levies, building charges and any non-productive costs.

He said the property industry required new changes and directions to ensure that it remained sustainable and competitive.

Based on the Valuation and Property Services Department report for the first half of this year, Malaysia's home price index was at 189.5 points with the average price of all houses at RM408,774, an annual increase of 1.7 per cent over the same period last year.

For the same period, 149,889 property transactions valued at RM67.74 billion were recorded, down from total transaction of 153,526 units worth RM67.83 billion in the same period last year.

Nurhayati Abillah