

Government's hands tied on house prices

Guan Eng: SST exemption given but land prices cannot be controlled

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KUALA LUMPUR: The government's hands are tied as far as house prices are concerned.

Finance Minister Lim Guan Eng said the government can only help reduce the cost of developing houses through measures such as the exemption from the Sales and Service Tax (SST).

However, the price of land, which is an integral component of developments, is out of the government's control, he said.

Speaking after the launch of the Institute of Corporate Directors Malaysia (ICDM) yesterday, Lim explained that the government's decision to exempt construction services from SST as an initiative towards lowering house prices.

"Land prices are decided by market forces and that is too big for us (government) to influence market prices.

"What we can do is save costs for housing developments, such as exempting construction services from SST.

"I think it is only fair that if the government is collecting less from them (property developers), we want to see these savings being passed on to consumers.

"If they do not reduce house prices, then I

> **TURN TO PAGE 2**

Guan Eng hopes to get positive feedback on lowering of house prices

> FROM PAGE 1

think there is no point for the government to exempt construction services from SST.

“Why should we give these exemptions and savings (if the housing industry players are not going to reduce house prices) – we might as well impose the SST so that the government can have its revenue and not lose money,” he said.

Stakeholders and players in the housing industry have until the end of this month to respond, when Lim hopes to receive positive feedback on the lowering of house prices.

Lim was responding to former prime minister Datuk Seri Najib Tun Razak’s comments that the largest cost factor for housing was not construction costs, but land prices.

However, property consultancy PPC International managing director Datuk Siders Sittampalam raised the issue of transparency in the SST-exempted and reduced house prices.

He said it would be difficult to identify whether house prices have been reduced according to the SST exemption.

In addition, the exemption of SST only provides a small quantum of savings for property developers, resulting in a slight reduction in house prices.

It is estimated that an additional 1% to 2% is imputed into the costing of a house with the SST.

“Besides the construction cost, there are other costs and fees to be paid, such as land, financing, compliance, security and professional consultancy.

“More importantly, the government should look at reducing the statutory contribution and compliance costs paid by developers and ensure expediting the approval process.

“These make up 10% to 15% of the cost of a house, and on top of that, there would be additional holding costs, should there be delays in obtaining approvals,” said Siders.

Lim also said it was a good compromise and a relaxation of rules by the government to impose the RM10,000 levy on foreign workers who have surpassed their 10th year in Malaysia.

He said this was part of the government’s efforts to retain skilled workers.

“The government is now giving employers an additional choice, which was not available during the previous government.

“Businesses or companies must show that they are willing to pay to retain their skilled foreign workers.

“By doing so, the government would be able to cut down on the number of foreign workers in Malaysia.

“We hope employers can understand this,” said Lim, adding that the government does not want to be caught in a cycle of bringing in more foreign workers who stay in Malaysia for too long.

Lim launched ICDM yesterday, a dedicated body established by the Securities Commission (SC) to enhance the professionalism and effectiveness of corporate directors in Malaysia.

Formed by directors for the benefit of directors, ICDM’s main objectives are to promote excellence, integrity, and the highest levels of skills and professional competence among corporate directors in Malaysia.

ICDM will also represent the interests of its members, and advocate the adoption and application of corporate governance practices.

Under the leadership of its inaugural board led by Tan Sri Zarinah Anwar and a professional management team, ICDM will focus on building a sustainable pipeline of directors through education programmes that equip directors with essential skills to serve on listed boards.

The establishment of ICDM was spearheaded by the SC as part of its Corporate Governance Strategic Priorities (2017-2020), and is also supported by Bank Negara and Bursa Malaysia.