

Real Property Gains Tax and the Malaysian Housing Market

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SUMMARY

Government intervention in the property sector particularly housing is needed as the sector is one of the important contributors to the national economy. The Malaysian Government uses property sector as a tool to propel the economy when it slows down, and to regulate the economy when there are signs of overheating. For example, in 2007, Government repealed Real Property Gains Tax (RPGT) to encourage more investment and businesses into this sector. The strategy was expected to propel construction and property industries since the industries had softened for the past years at 0.5% (2006), 1.6% (2005) and 1.5% (2004). However, in 2013, the RPGT made a comeback with rates of between 10% – 15% due to overheating in the market. Later in 2014, Government reviewed the RPGT in an effort to increase the ability of the rakyat to buy a house and ensure stable house prices, as well as to control excessive speculative activities. A higher rate scale was introduced of between 15% to 30% depending on the year of disposal. In addition, foreign buyers are subject to a 30% tax on gain within the first five years of disposal and will continue to be imposed with RPGT at 5% even if disposal is made beyond 5 years from the date of acquisition. This paper is written will discuss the trends in the housing market in the past decade against the backdrop of government intervention via RPGT. In doing so, this paper will present the background of RPGT in Malaysia. The second part will highlight the housing market trends by presenting the transaction volume and value as well as the house price index. Housing units launched and absorbed in the primary market will also be presented. The third part will be the discussion of the market behaviour and government intervention.