

# Residential property prices to hike between 1% and 2% post-GST

Prices of residential properties have been on the rise over the years...there has been more than 6% increase in price every year

by R KAMALAVACINI

RESIDENTIAL property prices are expected to rise between 1% and 2% post Goods and Services Tax (GST) this April.

Deputy Finance Minister Datuk Chua Tee Yong said despite residential properties are GST exempted, prices are expected to increase due to various spillover effects.

Among the contributing factors are supply and demand, property location, land issues and building materials, he told reporters in a news conference at Putrajaya last Friday.

"Prices of residential properties have been on the rise over



Raizam (left) with Chua at a GST briefing in Putrajaya last Friday

the years. In fact, there has been more than 6% increase in price every year.

"Hence, 1% to 2% increase in property prices is possible with GST, but even without GST, the prices of property will increase. In some areas the prices for residential properties have increased between 10%

to 12%," explained Chua.

Chua said the public do not need to rush to sign-up for residential properties before April 1, as it will make no difference.

"Don't rush to buy. If any developer says buy now otherwise the price will go up due to GST, they are liars!" cautioned Chua.

He said the government has

done its best to reduce speculation and has succeeded to a certain extent.

"But, when the developers know they have demand, definitely they will reflect it in the prices. The government cannot not make the decision for them as it is their business. We can only 'control' the price

hike through cooling measures," he said.

Chua also clarified that on the housing loan repayment, the 6% GST is only applicable to the processing fee and not for the total value of the loan.

Royal Malaysian Customs Department senior assistant director II Raizam Mustapha expects residential price hike could be around 2.05% post-GST.

Meanwhile, Raizam said the conversion of agricultural land and residential land are not subjected to GST, only commercial land is.

"However, if the project is an infrastructural development for the government, the developers can claim the tax," she said.

Raizam said a large number of contractors and property developers have been educated on the GST for properties, which she believes will help them to check and balance their pricing strategy after April 1.

## Malaysia will host F1 GP until 2018

MALAYSIA will continue to host the World Formula One (F1) Grand Prix (GP) at the Sepang International Circuit until 2018, said Prime Minister Datuk Seri Mohd Najib Razak.

Najib said Petroliaam Nasional Bhd (Petronas) will continue to be the main sponsor for the prestigious event but urged the Sepang International Circuit (SIC) as the organiser to enhance promotional activities for the race to attract more fans.

"We need to develop F1 here as an event that can receive better response from not only the international motorsport fans but also Malaysians in general.

"We have a few ideas, meaning the SIC has a few proposals. Just that they (the SIC) need the support of the various government departments. To achieve the objective, we must move collectively," he said after presenting prizes to the Petronas Malaysian F1 GP winners yesterday.

Najib said the Tourism and Culture Ministry as well as various government departments and agencies must regard the F1 as an important event in their calendar. "We need to promote this event more aggressively," he said. — *Bernama*

## GST is coming but investors need not panic

by FUNDSUPERMART RESEARCH

MALAYSIA will introduce the Goods and Services Tax (GST) in April 2015. A 6% value-added tax will be charged at every stage of the supply chain. GST is set to help the government increase and diversify its revenue and help reduce its budget deficit.

More than 160 countries have implemented GST. In fact, Malaysia is one of the few yet to have implemented it.

Consumers are worried about the increase in costs while investors are concerned about its impact on the economy and financial markets.

We try to evaluate the impact of GST by looking back into history and analysing the

impact of tax implementations or tax rate hikes in some countries.

Within the Asean region, Indonesia implemented GST as early as 1984, while Thailand and Singapore introduced GST in the 1990s.

After introducing the GST on April 1, 1994, at 3%, the Singapore economy continued to boom, whereas its equity index rallied by 54.5% in the next three years. This suggests GST implementation has no adverse effects on equities in the long run.

More recently, the world's third-largest economy Japan raised its consumption tax to help reduce its budget deficit. On April 1, 2014, the Japanese government raised its consumption tax by three percent-

age points from 5% to 8%.

Its gross domestic product (GDP) in the first-quarter of 2014 (1Q14) spiked as consumers rushed to purchase before the consumption tax hike. GDP in 2Q14 and 3Q14 dropped drastically as purchases were already made before the sales tax came in.

Then, as consumers got used to the increase of the consumption tax, spending started to recover and in 4Q14, its GDP growth became positive again.

The Nikkei Index actually dipped before the tax hike, but consequently rallied. Once again, a tax increase did not have significant long-term negative impact on equities.

We expect Malaysia to observe a similar trend as Japan. The trend could be more

apparent as our GST introduction will be at 6%, whereas Japan's was a 3% rate hike.

Consumer spending, especially on luxury goods and expensive white goods, may jump before GST implementation. In the subsequent two quarters at least, consumer spending may slow before consumers get accustomed to the new tax, and then spending will recover.

Overall, consumer spending on a whole year basis may not suffer a major impact.

In addition, we believe the impact from the GST will be mitigated by other cushioning factors introduced by the government as well.

Firstly, GST is supposed to replace the Sales and Services Tax that is currently levied on

certain goods and services, such as food and beverages and hotel services.

Also, income tax will be lowered, while corporate tax will be lowered in 2016, easing some burden of the GST.

The headlines made GST sensational but the impact on the economy is transitory. Although GST may affect consumer sentiment and business environment in the short term, we believe reducing the budget deficit is still necessary for long-term economic stability.

Given that the cost of living would certainly increase with GST, it is more important consumers try to invest as equities have historically proven to be a better hedge against inflation given their ability to pass cost increases to end consumers.

## Continue GST briefings for another year, urges Perdasama

PERDASAMA Muda, a unit under the Malay Businessmen and Industrialists Association (Perdasama), has called for briefings on the Goods and Services Tax (GST) to be continued for another year after its scheduled implementation on April 1, saying some young entrepreneurs are still not fully conversant with the new tax regime.

"We are proposing that the briefings be continued for at least another year to benefit young entrepreneurs, and we in Perdasama are prepared to facilitate the briefings," Perdasama Muda chairman Feruddin Emir Moehamad Izat Emir told *Bernama* after a GST briefing in Kuala Lumpur recently.

The two-day event organised by Perdasama was attended by some 200 young entrepreneurs as well as several representatives of Bursa Malaysia-listed companies.

Feruddin Emir said Perdasama Muda wants to see more Perdasama and Perdasama Muda branches nationwide to help produce more Malay entrepreneurs amid the uncertain global economic conditions and the impending implementation of the Asean Economic Community. — *Bernama*

## 1Machine nets RM500m contract, eyes GCC mart penetration

by JEREMY TAN

1MACHINE System Sdn Bhd, an Internet security solutions provider, sealed a RM500 million deal through its partnership with Kuwait-based Al Rifai Corp to distribute its Perisai brand Internet security software within the Gulf Cooperation Council (GCC) and eventually the Middle East and North Africa (MENA) region.

1Machine CEO Abbyarmir Sapie said the distribution agreement, which is effective for a 15-year period, is anticipated to inflate Perisai's current user base of approximately 50,000 by at least threefold in the first year.

"We will be expecting the

growth of users from 50,000, which covers the locals and the Ukraine mostly, to about 300% to 400% increase within the first year.

"That will be gradually increased, and I've heard about the plans from Al Rifai, they have very good and concrete plans to enter not only into the government sector but also the private sector," he said at the signing ceremony held in Menara Matrade last Friday.

Al Rifai Corp chairman Abdul Mohsen M Al Sayed A Al Rifai said there is a high potential for growth within the GCC region on account of its estimated high gross domestic product growth rate of 8.1% per year.

"Hopefully very soon we will have a very good market in the region, and from the GCC we can take it to the MENA region," he said.

According to 1Machine, the MENA possesses over 200 million Internet user population that it intends to tap into through Kuwait as a strategic penetration hub into the region.

On the Perisai security implementation software, Abbyarmir said the product, which includes personal, professional, and business protection, will be the first batch of products supplied to Al Rifai for distribution.

"Besides the Internet security we have other range of services that we will be supplying, that will include the appliance-based

security as well as Android security," he said, stating that 1Machine plans to deliver all the pillars of digital security as services.

Abbyarmir opined that Perisai is a niche within the industry based on its Cloud-based Internet security capabilities.

"Cloud-based services are not new but our cloud-based system embedded with intelligent heuristic detection technology makes our present software and system, with existing brands better," he said, adding the technology will be the best solution to combating cyber crime and malware-generated threats.

Malaysia External Trade Development Corp (Matrade) de-

puty CEO Datuk Zulkifli Mahmud, who was also present at the signing ceremony, said the collaboration shows the confidence of Middle Eastern clients, among others, in Malaysian ICT products.

"As you know, the region is flooded with European and US products, now India is also another new player in the market, but now Malaysia is making inroads into the market," he added.

According to Zulkifli, Kuwait is Malaysia's fourth-largest trading partner within the GCC, with bilateral trade in 2014 amounting to US\$1.78 billion (RM6.59 billion), a roughly 109% spike as opposed to US\$850.8 million the year before.

## Coming Events

### MARCH 30

SELANGOR Menteri Besar Mohamed Azmin Ali to attend opening of Third Session of Selangor 2015 State Legislative Assembly at Dewan Negri Selangor, Shah Alam at 8am.

MALAYSIAN Communications and Multimedia Commission to organise the official Opening of Meeting of Ministers of Telecommunications and Information APEC at Tamingsari 1, The Royale Chulan Hotel, KL at 8.30am.

XOX Bhd EGM at Inspire I & II, Only World Group, No 10 Jln Pelukis U1/46, Section U1, Temasya Industrial Park, Glenmarie, Shah Alam at 8.30am.

THE Edge to launch Edgewiz Campus Investment Challenge 2015 at Securities Commission Malaysia, 3 Persiaran Bukit Kiara, Bukit Kiara, KL at 9am.

DIRECTD Retail & Wholesale Sdn Bhd grand opening ceremony at Lot 11, Jln 51A/219, PJ at 9.30am.

SEACERA Group Bhd EGM at Lot 16428, 14km, Jalan Ipoh, Kawasan Perindustrian Selayang, Batu Caves, Selangor at 10am.

PUBLIC Bank Bhd AGM at Grand Ballroom, Shangri-La Hotel, Jln Sultan Ismail, KL at 10.30am.

MMC Corp Bhd EGM at Banquet Hall, Kuala Lumpur Golf & Country Club, No 10 Jln 1/70D, off Jln Bukit Kiara, KL at 11am.

LBS Bina Group Bhd to organise its Annual Green Award 2015 at The Square Level 2, Publika Shopping Gallery 1, Jln Dutamas 1, Solaris Dutamas, KL at 3pm.

OFFSHORE Technology Conference (OTC) Asia organising committees to organise exclusive networking session to launch OTC Asia 2016 at Banquet hall, Level 3, KL Convention Centre at 4pm.