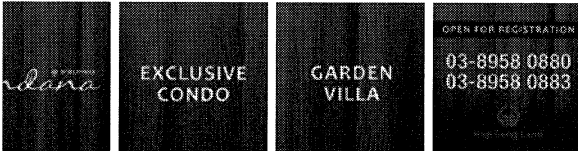


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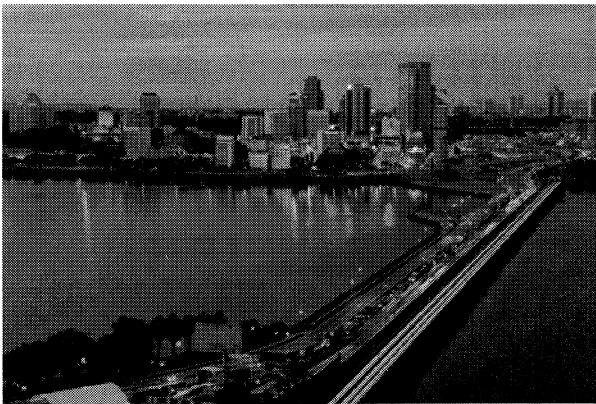
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Johor plans higher property tax for foreigners

Posted on June 3, 2013 - Property News.

By **DESIREE TRESA GASPER** | desiree@thestar.com.my



JOHOR BARU: The state government will impose higher tax rates for about 130,000 foreigners who own property in the state.

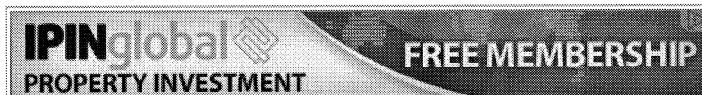
Mentri Besar Datuk Seri Mohamed Khaled Nordin said the amount was still being discussed but the new rates would be imposed by the end of the year.

"I believe that most Malaysians will be in agreement to this new policy. It is done to increase our state's returns," he said before going on a walkabout in Permas yesterday.

Mohamed Khaled said a property re-evaluation exercise would also be conducted statewide as the last formal evaluation was done in the 1980s.

"There has been a steady hike in property prices in Johor and the re-evaluation is aimed to ensure that the local councils get proper tax returns.

"Tax payers, however, do not have to worry about being burdened with higher taxes as there will be no increase in tax for lower priced properties," he added.



However, he said there could be an increase for those who owned high-end property that were priced in the millions.

"We are not here to burden the people but it is important for us to collect taxes based on the current market value to ensure that the returns can be used to benefit the people," he said, adding that further details on the matter would be revealed in the near future.

On a separate matter, Mohamed Khaled said that RM4mil had been allocated to improve infrastructure facilities including the widening, tarring and building of new roads within the Permas zone.

Mohamed Khaled, who is also Permas assemblyman, said that this was a joint allocation provided by the state and federal governments aimed at improving the conditions in the area.

Kenanga Research commented that they are not surprised by this news as there were talks prior to the general elections about raising the level after which foreigners can buy homes (which is currently RM500,000 per unit).

"We believe the property tax refers to quit rent, assessment rates or stamp duties as these are the local council's source of revenue and there is no difference between what locals' and foreigners' rates... While the news may cause some slight knee-jerk reactions, as seen with RPGT hikes in the last few years, it will only be temporary. In comparison to the property tax paid in Singapore by foreigners of up to 15% p.a. versus in Johor (assessment tax of up to 6% p.a., quit rent of 1.0-2.0sen psf), we believe Johor's property tax is still low which means increases will not deter the overall bullish demand trends by foreigners. Additionally, property per unit in Johor is far cheaper than Singapore, implying lower absolute property taxes to be paid annually...

"We believe the measure is best for long-term sustainability in demand as the influx of foreign property buyers could price a lot of locals out and cause sharp spikes in asset inflation, which could lead to a property bubble... We continue to remain bullish of Johor property plays."

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