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Breather for steel, construction sectors from SST waiver

Syahirah Syed Jaafar & Shawn Ng / The Edge Financial Daily
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KUALA LUMPUR: Experts say the waiver of the sales and services tax (SST) on construction services and some building materials will bring some relief to the construction and steel sectors, and possibly ease the pressure of prices on residential, industrial and commercial buildings.

On Sunday, Finance Minister Lim Guan Eng said there would be an exemption of the soon-to-be-implemented SST on construction services and building materials such as cement, sand and iron, with hopes that it would bring down costs.

“With the proposed exemption of goods from the SST and the difference in GST (goods and services tax) implementation, I hope both the developers and the buyers can benefit from the reduction of this tax burden,” Guan Eng said.

According to MIDF, if this takes place, the construction sector is expected to take a breather from the grim outlook that impacts the industry with project cuts.

“The steel and construction sectors are interconnected as the former relies heavily on building-material demand from the latter’s project activities.

“The SST will enable the steel sector to maintain its product supply to the construction sector without any additional cost,” MIDF said in a sector report yesterday.

Property consultancy firm Zerin Properties chief executive officer Previndran Singhe said the move is definitely welcomed.

“I believe this is a good sign for the industry. When the GST was around, we kept urging for building materials to be exempted. It is addressing what was needed to be addressed before.

“So we will see better prices for buyers, but you cannot expect it to happen straight away. As it is, sales have picked up for buyers since the removal of the GST,” he told The Edge Financial Daily over the phone.

Deputy Housing and Local Government Minister Datuk Raja Kamarul Bahrin Shah Raja Ahmad, however, said the move may not necessarily drive house prices down due to increases in other cost components.

“Cement, [bricks] and steel will be exempted from the SST and I was asked how many per cent would the house prices come down.

“But this is impossible for me to answer because although we are lowering the prices of these materials, the cost [of building homes] can be increased by rising costs of other components, such as land prices, development charges and compliance cost,” he told reporters after the launch of the Kuala Lumpur Architecture Festival yesterday.

Malaysian Institute of Architects president Ezumi Harzani Ismail, who was present at the event, noted that construction cost usually only accounts for 30% of the overall building cost, while the remaining 70% is derived from land and compliance costs.

“According to Rehda (Real Estate and Housing Developers’ Association), compliance cost is escalating at a rapid pace to the extent that I think it is unacceptable, especially for the development of affordable housing,” he added.

Hence, instead of solely focused on lowering house prices, measures to increase income levels are also key to addressing the housing affordability issue in Malaysia, Ezumi said.

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