

'More could be done for REITs'

> REIT manager says nevertheless extension of incentive has calmed everyone

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PETALING JAYA: The proposed extension of the concessionary tax rate of 10% on non-corporate institutional and individual investors in Real Estate Investment Trusts (REITs) up to end-2016 would boost the industry and reassure REIT investors of the market, said Axis REIT Managers Bhd chief executive officer Stewart LaBrooy.

"Although we're always looking for more, this is what we were fighting for. There has been a lot of uncertainties this year and this has calmed everyone down. It is the right thing to do," he said, adding that REITs have been resilient and performing well in Malaysia.

In tabling Budget 2012 last Friday, Prime Minister Datuk Seri Najib Razak announced the extension of the incentive for another five years.

LaBrooy told *SunBiz* that industry players and investors were hoping for the removal of the final withholding

tax imposed on investors, especially for retirees, as it would have brought the Malaysian REITs sector in line with Singapore.

"But never mind, we'll try again next year. We recognise that the government is in a fine balancing act due to the unstable economy," he added.

Currently, foreign institutional investors, particularly pension funds and collective investment funds receiving dividends from REITs listed on Bursa Malaysia are subject to a final withholding tax of 10%.

Other laws pertaining to REITs have remained status quo, namely real property gains tax (RPGT) exemption on gains from the disposal of properties by individuals or companies to REITs and stamp duty exemption on the deeds of assignment relating to the sales of properties from individuals or companies to REITs.

LaBrooy said the RPGT and stamp duty exemptions would continue to encourage more individuals and

companies to sell into REITs.

On the higher RPGT, Malaysian Rating Corporation Bhd chief economist Nor Zahidi Alias said the measures on the RPGT are mild considering that house prices have increased quite dramatically in the past several years.

The current 5% RPGT rate has been increased to 10% for properties held and disposed of within two years.

"We are of the view that larger increases would have been more appropriate to diffuse some of the froth in the property sector. However, I think the government is cautious about the possible repercussion on the general economy if the RPGT is reviewed more aggressively.

"This is due to the fact that the global economy has yet to stabilise following the debt debacle in European countries and fragile growth in the US. Such a minimal increase in the RPGT will not likely have a material effect on the property sector," he told *SunBiz* in an email interview.