

Budget 2022 – Focus on recovery, building resilience and stimulating growth

This is the second year that a budget has been presented under the dark clouds of the Covid-19 pandemic and the government's focus is not surprisingly, centred on rebuilding the economy which has been badly battered by the pandemic, besides curbing the spread of the dreaded disease and taking care of the safety and health of the citizens.

The largest allocation in the budget this year has been made to the education and health sectors. Out of the RM 332.4 billion proposed in the budget, a sum of RM 52.6 billion went to the Ministry of Education and another RM 14.5 billion to the Ministry of Higher Education whilst RM 32.4 billion was allocated to the Health Ministry with a further RM 2 billion for procurement of additional vaccines and RM 4 billion for enhancing public health.

As for the property sector, there were many pre-budget proposals submitted by industry players such as extending the incentives under the Home Ownership Campaign beyond the end date of 31 December 2021 and letting the secondary market enjoy these benefits as well. There were also proposals made by the housing industry to put a stop to the introduction of new statutory contributions and fees and to reduce overall compliance costs so as to bring down construction costs and put a cap on house prices if not bringing them down altogether. Alas, there were not many goodies offered to the property sector under the budget. The main budget proposals affecting the property sector and their potential impact on the sector are discussed below:

Increased GDP growth

Under Budget 2022, the government has projected the economy to grow by between 5.5% and 6.5% in 2022, an improvement over the projected 3% to 4% for 2021. The pick up in pace of GDP growth is positive in the sense that it will help to increase employment and improve investors and consumer sentiments. The government has set a target of creating 600,000 jobs with an allocation of RM 4.8 billion under the JaminKerja initiative to benefit the estimated 750,000 jobless people. Ultimately this will have a positive impact on the housing sector as more buyers will return to the housing market once there is increased confidence with better job stability.

Spending on infrastructure and mega projects

There were budget allocations made to expand 5G services to high density areas including major cities in Penang, Selangor, Johor, Sabah and Sarawak whilst the government will continue to carry out infrastructure projects worth RM 3.5 billion including the construction of the Pan Borneo Highway and Central Spine Road. Nevertheless, the Malaysian Master Builders Association could not hide its disappointment in the lack of mega infrastructure projects in this year's budget which would have provided a bigger boost to the construction industry and open up more areas for development. The construction sector is nevertheless projected to turn around with a 11.5% growth in 2022.

Allocation of RM 1.5 billion for building of low-cost housing

This substantial allocation is laudable as it will help many in the lower income groups to achieve their dreams of owning a home. However, as the saying goes, the devil is in the details and the successful and timely implementation of the programme is key to fulfilling this social obligation of the government to the lower income strata of society

Removal of RPGT after the sixth year

The housing industry has been clamouring for the removal of the real property gains tax after the sixth year ever since this was introduced and this time, their wishes were fulfilled. The status in the past has always been no RPGT when an individual sells the property after holding it for more than five years whilst companies pay 5%. This augurs well for the housing sector as the removal of the RPGT after the sixth year could stimulate transactions in the secondary market and possibly encourage house purchases in the primary market as well.

Allocation of RM 2 billion under credit guarantee scheme

In the budget announcement, it was proposed that a credit guarantee scheme be established to help those people engaged in the informal sector eg. those involved in the gig economy who do not have a steady and regular income stream who would otherwise find it difficult to qualify for a housing loan from the banks to help them purchase a home. Over the last two years under the trying conditions of the Covid-19 pandemic, more people have gotten involved in the gig economy after losing their regular jobs and this move is a god send to them as they would now be able to secure a housing loan despite not being able to show the bank a regular and stable income stream

Special tax exemption for building / commercial unit owners

During the height of the pandemic in 2020 and 2021, many building owners, including landlords of malls and office buildings, had to offer rental rebates / reductions to help out their tenants who have been badly affected by the pandemic. This offer of a tax exemption to those building owners who gave a rental rebate / discount of at least 30% in order to retain their tenants will at least help to reduce the burden on these building owners.

Allocation of RM 1.6 billion to help the tourism industry

A total of RM 600 million has been set aside for the Penjana Tourism Financing BPMB Rehabilitation Scheme and another RM 600 million is targeted for wage subsidy to help 26,000 employers and 330,000 workers in the tourism industry who have suffered at least 30% loss in revenue. Other allocations announced in the budget included a RM 30 million matching grant for upgrading and maintenance of budget hotels and RM 85 million in special aid to 20,000 registered tourism businesses. The tourism industry was one of the worst affected sectors of the economy as people stopped travelling under the strict guidelines of the various phases of Movement Control Orders (MCOs) and hotels had to close their doors. This budget allocation would help in the recovery of the sector but industry players have complained that this is insufficient and fall short of their expectations.

Allocation of RM 2.1 billion for programmes and initiatives to revive the economy and attract new investments in high quality, high tech and green tech industries

Besides the above allocation in the Budget, other initiatives undertaken by MITI to attract FDIs included trade and investment missions to bring in high-impact investments and expand export markets; PMKS Halal Product Digital Branding and PMKS Halal Product Marketability Enhancement programme (RM25 million); and Industry4WRD programme to encourage technological transformation towards the fourth industrial revolution among SMEs (RM45 million). These programmes and initiatives are expected to spur demand for industrial premises in the country and benefit the industrial property sector.