

Property Assessment

The recent review of Annual Value by some of the bigger local authorities in recent months has caused uproars of Local Government Act. It is taxed at a percentage not exceeding 35 percent of the Annual Value of the property.

REHDA Institute, in a recent study on the practice of the subject matter across the region, has compiled extensive Indonesia, Thailand, Australia and United Kingdom. Findings of the study are as follows:



Malaysia

Basis of Valuation

Annual Value (except Johor):

Estimated gross annual rent at which the holding might reasonably be expected to let from year to year the landlord paying the expenses of repair, insurance, maintenance or upkeep and all public rates and taxes

Improved Value (Johor only):

Price that an owner willing, and not obliged to sell might reasonably expect to obtain from a willing purchaser with whom he was bargaining, for sale and purchase of the holding.

Sources:
Local Government Act 1976 DBKL



Tax rates

- Paid two (2) times a year before 28 February and before 31 August.
- Current news: Calculation of the new assessment rate.

DBKL

Types of Properties	within 36 miles sq radius	
	Previous Tax Rates	New Tax Rates (1 Jan 2014)
Commercial	12%	10%
Service Apartment	10%	7%
Residential	6%	4%
Low Cost Flats	6%	2%
Vacant Land for Commercial	10%	7%
Vacant Land for Residential	7%	5%
Kampung Baru/ Kampung Sungai Pencala/ Kampung Melayu Segambut	2%	1%
Other kampung – buildings	3%	2%
Other kampung – vacant land	2%	1%

New incentives to be provided by DBKL in the form of reduced tax amounts:

- Disabled group.
- Owner occupied.
- Pensioners.

Case Study:

AV of your property (residential) is RM25,000
Property Tax payable
» RM25,000 x 6%
= RM1,500



Singapore

Basis of Valuation

Annual Value (AV):

- Buildings** – AV is the estimated annual rent of property. It reflects the market rent at the time of review.
- Land & Development Site** – AV is determined at 5% of its estimated freehold market value.

Review of annual value: every year

Review of tax rates: Once in 2 years



Sources:
Inland Revenue Authority of Singapore
1. <https://www.iras.gov.sg/irasHome/page04.aspx?id=2094>
2. <https://www.iras.gov.sg/irasHome/page04.aspx?id=2804>

Tax rates

- Progressive tax rates from 1 Jan 2011 – 31 Dec 2013 (Owner-occupied homes)

Annual Value (\$)	Tax rates (%)
First 6,000	0
Next 59,000	4
Amount exceeding 65,000	6

Case Study 1

(Owner-occupied):

AV of your house is \$24,000, Property Tax payable is:

First \$6,000 x 0% = \$0

Next \$18,000 x 4% = \$720

Tax payable = \$720

Case Study 2

(Let-out):

If Annual Value is \$24,000 and the tax rate is 10%,

Property Tax payable

» \$24,000 x 10%

= \$2,400 yearly

- Progressive Tax Rates for Residential Properties (Exclude residential land)


Annual Value (\$)	Effective 1 Jan 2014	Effective 1 Jan 2015
First 30,000	10%	10%
Next 15,000	11%	12%
Next 15,000	13%	14%
Next 15,000	15%	16%
Next 15,000	17%	18%
AV in excess of \$90,000	19%	20%

- Progressive Tax Rates for Owner-Occupied Homes

Annual Value (\$)	Effective 1 Jan 2014	Effective 1 Jan 2015
First 8,000	0%	0%
Next 47,000	4%	4%
Next 5,000	5%	6%
Next 10,000	6%	6%
Next 15,000	7%	8%
Next 15,000	9%	10%
Next 15,000	11%	12%
Next 15,000	13%	14%
AV in excess of \$130,000	15%	16%

Across the Region

concern among property owners. In the Malaysian context, assessment is taxable by the Local Authorities as provided for under Section 127 of the information on how assessment is taxed and the frequency of reviews of the Annual Value and/or market value practised in Malaysia, Singapore,


Indonesia

Basis of Valuation

1. Basis of valuation used is NJKP (Nilai Jual Kena Pajak) or Taxable Sales Value.
2. NJKP is a predetermined proportion of the sale value of Nilai Jual Objek Pajak (NJOP) or Official Sales Value.
3. NJOP is referred to lands and constructions which calculated at a value calculated by Regional Government. It is usually below the real market value.

To determine the NJKP:
We must first identify the NJOP, whether it is less than IDR1bil or more than IDR1bil.

If NJOP < IDR1bil = 20% of NJOP	} NUKP (Taxable Sales Value)
If NJOP > IDR1bil = 40% of NJOP	

Tax rates

Pajak Bumi & Bangunan (PBB) or Land and Building Tax

The rate of tax is 0.5% of NJKP.
The rate is reviewed in 1 to 3 years time.

Case Study:
Land size and value: 1,000 sqm @ IDR254,000 psm
Building size & value: 320 sqm @ IDR184,000 psm


1. Therefore the NJOP calculation is:
 - » 1,000 sqm x IDR254,000 psm = IDR254,000,000
 - » 320 sqm x IDR184,000 psm = IDR58,880,000
 - Total NJOP = IDR312,000,000
2. The calculation of NJKP:
 - NJOP » IDR 312,000,000 (below IDR 1bil)
 - NJKP » IDR 312,000,000 x 20% = IDR 62,576,000
3. The calculation of PBB (Land & Building Tax)
 - Tax payable » 0.5% of IDR 62,576,000 = IDR 312,880


* The amount of tax payable will vary from year to year depending on the increase of the NJOP.

* The government can increase the NJKP rate by up to 100% of NJOP. As a result, the effective rate of Land and Building Tax at present is either 0.1% or 0.2% of the NJOP.

* In case of rental, the income derived from rental payments and service charges are subject to final tax (income tax) which is 10% of transaction value. The party from the payment is due is responsible for the deduction and payment of the withholding tax to the tax authorities. If not, the lessor must pay the 10% itself.

Sources:
Professional/Consultants tax guide booklets
1. Indonesian Pocket Tax Book 2012, Prima Wahana Cakara (PWC), Member of PWC Network http://www.pwc.com/id/en/indonesian-pocket-tax-book/assets/indonesian-pocket-tax-book_2012-update.pdf
2. Sunrise Property & Development <http://www.sunrisepropertybali.com/indonesian-property-taxation/>




Thailand

Basis of Valuation

1. Basis of valuation used is annual rental value.
2. Annual rental value referred to which the property may reasonably be expected to let from year to year.

Sources:
Thai Tax Booklet 2013, PricewaterhouseCoopers Legal & tax Consultants Limited http://www.pwc.com/en_TH/th/publications/2013/thai-tax-2013-booklet.pdf

Tax rates

The rate of tax is 12.5% of annual rental value of the property of owners of land or buildings, used for any purpose, with the exception of owner-occupied residences.

Case Study:

Annual rental value	Tax payable:
» THB5,000 per month	12.5% x THB60,000
x 12 months	= THB7,500
= THB60,000	<u> </u>
	(MYR747/USD227)

(MYR5,972/USD1,818)

