

Goods And Services Tax (Gst) On Construction Capital Cost and Housing Property Price

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Abstract: Good and Service Tax (GST) an indirect broad-based consumption tax. Following with the implementation of GST in Malaysia on 1st April 2015, it is suspected that the construction capital cost and housing property price will increase accordingly. This study is aim to review the GST effect associated on construction capital cost and it influences towards housing developer and housing property price. Additionally, this study highlights what was the developer point of view on the GST given to them and also the housing price further proposes initiatives to the housing developers. Argument of GST effect is useful for the public administrators so that to re-consider the rate of GST and also beneficial to the construction parties to account with the GST implementation. As conclusion, this study review that GST do give an impact towards the construction capital cost, housing developer and housing property price in terms of knock-on effect.

Key words: Construction capital cost, GST, housing property price, implementation, parties

INTRODUCTION

Malaysia is implement GST start from 1st April 2015 with the rate of 6% to replace the current practice of tax system which is the sales taxes (10 and 5%) and services tax (6%) that has been used in our country for several decades. The introduction of GST is aim to increase the government's revenue and reduce the fiscal deficit that suffers us for nearly 30 year since, 1980 and Malaysia had only facing a budget surplus which is the year of 1992-1997.

Prior to the implementation of GST in Malaysia, the primary group affected due to this broad-based consumption tax are the consumers. Regarding to Malaysia Deputy of Finance Minister, price level on cost living will not increase but will decrease logically as those items which being charged 10% of Sales and Service Tax (SST) will then change to 6% of GST only. However, a study conducted by Henry (1981) shows that adoption of GST had increase the price level.

Further, regarding to Burgess *et al.* (1998) state that GST implementation will result to inflation. Inflation occur when there is an increase in prices level and this will results in lower real wages of workers which is also consumer and thus resulting decrease of purchasing power. If increase the money wages of worker, it would then, burden the business cost and cause to less profit

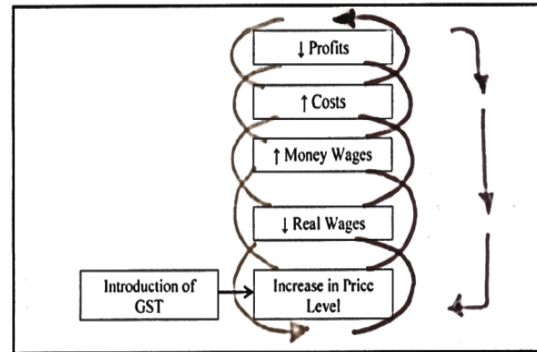


Fig.1: GST cycle (Burgess *et al.*, 1998)

maximization; to maintain the firm's profit, it would then increase the price level and this cycle will repeat again and again as illustrate on Fig.1.

Construction sector were almost face like above scenario as according to Burgess's interference. In a nutshell, introduction of GST will give an impact to the price of building input and hence affect the developer profit eventually the property value. As what mentioned by Cheng and Turner (1995), GST will definitely give an impact to the housing cost or development cost and so the housing price will also be affected.

It is a known fact that there is a relationship between properties and price. According to Dato' Subromanium

Holasy, the Custom Department of GST responded that the construction cost will only increase to maximum 2% only where the housing price of properties will drop as the biggest construction cost component which is the land acquisition for housing purpose is subjected to exempt tax. However, this statement is doubt by C.H. Williams Talhar and Wong (WTW), the property consultancy that the implementation of GST in Malaysia is actually had brings construction cost increase to 5%. Furthermore, Rusnani also stated that the price of the housing input will increase accordingly with the introduction of GST as exempt taxes policy disallow developer to claim of input credits.

For an example, GST as cited by Julyan that the introduction would result in sharp cost increases at between 4 and 7% in South Africa. Moreover, as regard to the case of Sweden as according to Turner (1995), GST had made an increment by 12% on building materials and hence corresponds to a 9.4% in building costs. Besides, as regarding to Eric Lee, the Chairman of Construction Industry Forum state that the subsequent to the GST implementation would rise at least 5% on the new residential building cost in Guernsey.

Yet, rising of building cost is not the only one of the issues to the construction developers. The member of construction developers expressed fear and worry on the exempt tax on housing property. Dato' Neoh Soo Keat, the managing director of Trinity Group Sdn Bhd responded that while housing property is exempted from GST, it does not means that cost of supplying these properties namely constructing, developing and selling will be free from GST. This is because, developers is still had to pay the tax on nearly all areas involved, especially the materials to construct housing.

Due to GST exempt on housing property, the developers nowadays were not able to pass on the higher input costs to the buyers directly. Succinctly, developer needs to pay the GST on all the building goods and services that had been charged by supplier on them. Yet, they cannot claim or impose the charged GST on end housing buyers. As regard to the case of Australia with the 10% of GST since 2000, Gold Miles give a prospective that the price of housing property will increase as same value with the GST rate which is 10%.

It is very clear that, the building cost and exempt taxes plays an important element in determine the impacts towards housing developer and the housing price. Hence, initiatives are needed to be identified and suggested for housing developer so that to create a win-win situation among all related parties. An overall illustration of the GST issues had been summarized as shown in Fig. 2.

As from Fig. 2, implementation of GST will result to an increment that due to inflation. Due to inflation, all of the

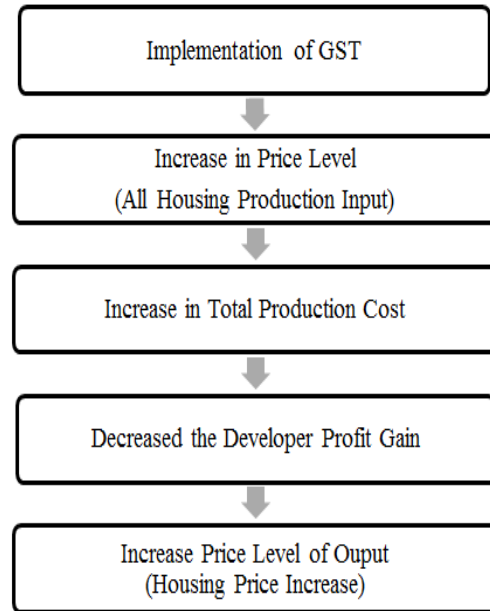


Fig.2: Summarised flows of GST issues

building production input will be increased and hence the total production cost will be increased. As housing developer unable to divert the input tax to the end buyers due to exempt tax policy thus, making the developer profit gain is being affected. In order to maintain the developer's profit margin, the final decision is to increase the price level of output (which is increase the housing price).

GST: According to Philip, GST is an indirect, broad-based consumption tax. In many others countries, especially in Europe, it is known as VAT. Although, the name of tax is difference but they are same in term of concept, principle and operation of taxation.

The GST is indirect because rather than directly tax on income, it is levied on the supply of goods, services or activities at each production and distribution stage of supply chain which including importation of goods and services. The consumer is not directly paying the taxes to the government, but is through the seller (Rashid *et al.*, 2014). Besides that, GST is a broad-based terms which means that it is imposed generally covering all the transactions made in the course or furtherance of business made by all types of taxable person with only limited exceptions.

Moreover, consumption tax from buyer perspective, it is a tax on the purchase price (Rashid *et al.*, 2014). Whereas, in economic term is means that the tax is fully borne by consumers but not the producers or suppliers which means that, the taxes is tax on what people purchase rather than their earnings, investments or savings. Whereas the "value added" refers to the aspect

that the net taxable person payable at any one stage is based on the prices increase but not the input prices.

In the normally understood sense, GST is limited to “goods and services” only. In fact, it was actually not limited despite its name as it is also applies in the creation of right and to the real estate.

History of GST come from the idea or origin of VAT is initially suggested by a Germany businessman Wilhelm Von Siemens in 1918 during the post-World War I that aim to solve the financial problems of German Government (Charlet and Owens, 2010).

However, the idea of VAT only been built into a system and was first introduced and implemented at a national level in France in 1954 by Maurice Lauré, so-called father of VAT as a replacement for sales taxes (Charlet and Owens, 2010; James, 2011). Since, VAT is newly introduced, therefore the original coverage in this stage is limited covering in the manufacturing level only and did not move to a full VAT such as rebates for the taxes paid at each stages (James, 2011).

Brazil, by the fiscal reform of 1965, adopting France’s VAT and introduced a traditional VAT that applied at all stages of production (Charlet and Owens, 2010). Following to the introduction of VAT in France, there was a significant increase in terms of number of countries that adopt VAT in the 1990s compare to less than 10 countries involvement in the late 1960s. More than half century ago, the VAT/GST is spreading around the world to 84% out of 184 countries is using VAT/GST whether as a new tax or as a replacement tax.

In Malaysia, GST is first announced by 5th Malaysia Prime Minister Tun Abdullah bin Haji Ahmad Badawi in his 2005 Budget and planned to be implemented on 01 January 2007. However, the implementation was announced to be postponed on 22 February 2006 so that, to allow sufficient time preparation.

Hee and Khorana in his study stated that the preparation of GST is near to completion and were tabled for first reading on 16 December, 2009 in the Parliament as mentioned by the 6th Malaysia Prime Minister Dato Seri Najib Tun Rajak in his Budget 2010. The chronology, decision and development of GST in Malaysia are provided as Table 1.

There are basically 3 types of supply namely standard-rated suppliers, zero-rated supplies and exempted supplies under Malaysia GST model as shown in Table 2.

The 6% of standard-rated supplies and 0% of zero-rated supplies are both taxable at different rate that allowed the taxable person to claim input tax credit from.

Table 1: Background of GST implementation in Malaysia (Adopted and Edited by author from Hee and Khorana, 2010; PwC, 2013 and GST timeline in Malaysia, 2015)

Years	Remarks
2005	First announcement of the proposed introduction of GST
22 Feb. 2006	Postponed of GST implementation
23 Oct. 2009	Final stage of completing study on GST implementation
24 Nov. 2009	Announcement of GST bill to be tabled for 1st reading
16 Dec. 2009	GST bill 1st reading
March 2010	2nd reading (planned) of GST bill has been postponed until further notice
06 May 2010	Announcement that GST will be implemented once price control and anti-profiteering act is ready
13 Jul. 2010	1st reading on price control and anti-profiteering
March 2011	GST Bill 2nd reading
25 Oct 2013	Announcement of GST implementation from 01 April, 2015 on budget 2014 at the rate 6%
31 March 2014	GST bill was tabled and opened for debate in parliament.
October 2014	GST registration
01 Apr. 2015	Officially commences of GST implementation

Table 2: Malaysia GST model

Types of supplies	Input tax (%)	Output tax	Examples of supply
Standard rated	6	Claimable	Supply of land and building for commercial or industrial purpose, Construction of all types of building
Zero-rated	0	Claimable	Export sales, international services, Agricultural supplies, basic Foodstuff
Exempt rated	-	Non-claimable	Sales and lease residential land or agricultural land or property, Transport service such as toll or Highway

Government on their business inputs which is required for the production of taxable supplies so that to provide some GST relief to final consumers.

Whereas according to Hee and Korana again, if a supply of goods and services is an exempt supply where the goods and services are not subject to GST, therefore it is non-taxable. Hence, the input tax credits are not entitled to claim or collect on their supplies. The main objective of this tax is to reduce the consumer’s tax burden.

It is very important for Malaysian to have a basic understanding towards GST as each of the citizens is being surrounding by the GST system whether directly involve or non-directly involved.

The VAT has become a key source of government revenue in over 120 countries. About 4 billion people, 70% of the world’s population, now live in countries with a VAT and it raises about \$18 trillion in tax revenue-roughly one-quarter of all government revenue (Ebrill *et al.*, 2001).

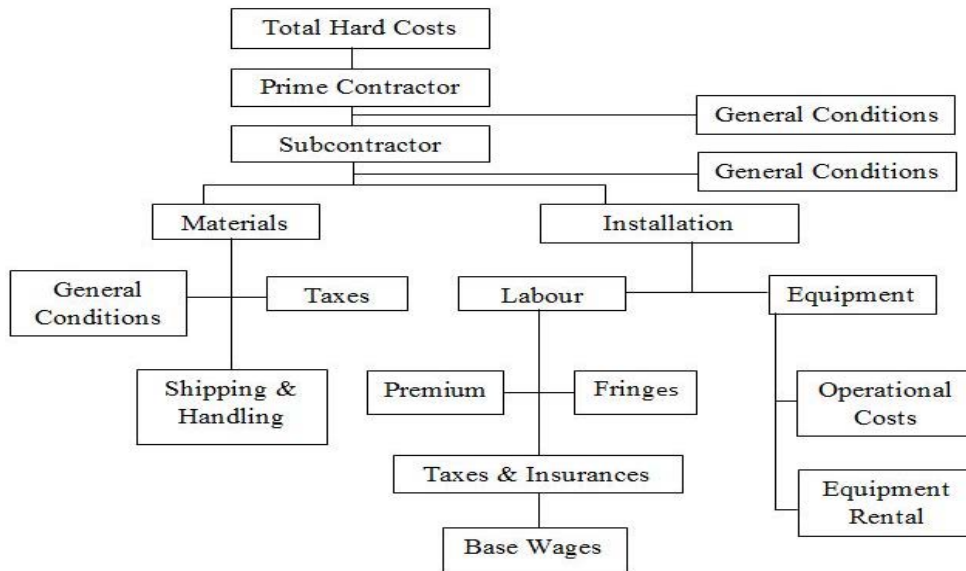


Fig. 3: Categories of construction capital cost

According to Ebrill *et al.* (2001), GST plays a significant portion towards a government's revenue in many countries as it is proved to be an efficient tool for a government's revenue collection. With its indirect broad-based consumption taxes, it helps to eliminate the cascading problems which is typical for turnover tax and also can improve the tax enforcement and compliance.

Implementation of GST for each of the countries has its economic purpose (Rashid *et al.*, 2014). As for New Zealand, GST implementation is serving as a monetary policy tool which aims to maintain the price stability, to fund government expenditure and saving. Besides that, introduction of GST in Japan is aim to maintain its tax revenue in the face of an ageing and shrinkage of population whereas the China who will implement the taxes in coming years is aim to resolve the multiple taxation issues and to improve the tax collection system.

Furthermore, GST in Singapore is mainly consider to the view of population aging which aims to reduce the inefficient income tax system and make the indirect tax base more resilient and broader for long term (Rashid *et al.*, 2014). However, GST in Malaysia is aims to cover and reduce the debt deficit that has been stuck in this country for several decades by replacing the narrowed-based SST with broad-based tax.

Construction capital cost: Capital costs are costs associated with one-off expenditure on the

acquisition, construction or enhancement of significant fixed assets including land, buildings and equipment that will be of use or benefit for >1 financial year".

Meanwhile, American Institute of Architect (AIA), divided total construction capital cost components into three main categories which are site cost, hard cost and soft cost as shown in Fig. 3.

There are others former name other than hard cost and soft cost in construction industry which is direct cost and indirect cost. Klinger (2006) and Geltner and Miller (2001) described the hard cost as direct cost, soft cost as indirect cost. According to Hansen and AIA, site cost or acquisition cost is defined as the price paid for the raw ground and those cost that cover the owner's initial land acquisition and developments costs of a project.

Moreover, direct cost or hard cost defined by Azizi and Abidin (2012) is those cost which are structurally fundamental to construct a building. In other word, it is the fundamental costs for construction. Geltner and Miller (2001) and AIA interpret it as those physical components costs of construction project that are directly affected by consultant's decisions.

Whereas Stolz and Warsame described direct cost or hard cost is those costs that can be directly attributed, recognizable and self-explanatory to the performance of a specific construction task such as equipment, labour and material cost. All of the Fig. 4: GST input or output flow for a typical construction project.

Construction cost which is contractor's overhead, material cost and installation cost are all under the category of hard cost as shown in Fig. 4.

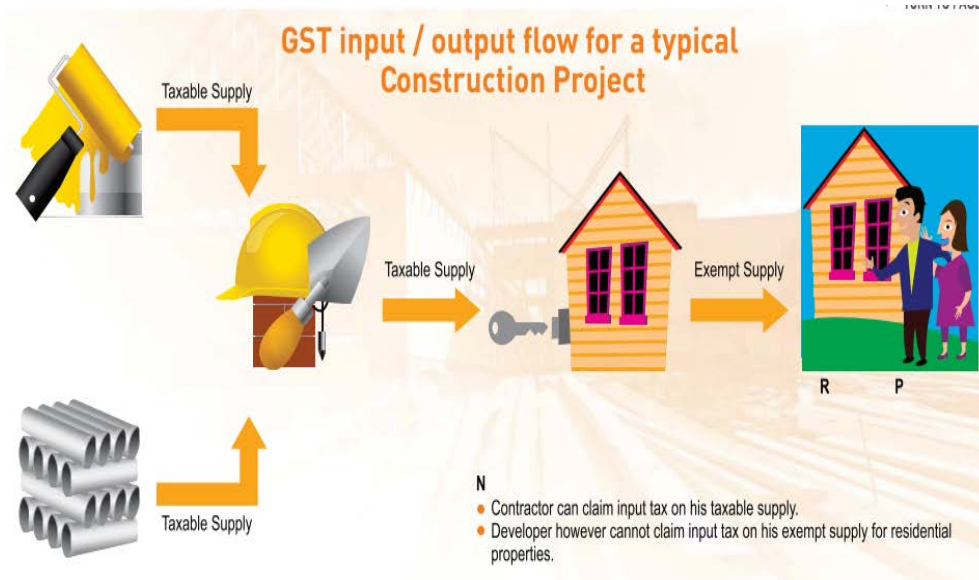


Fig. 4: Construction cost

Besides that, soft cost or indirect cost characterized by Azizi and Abidin (2012) are those cost that are not necessarily fundamental but the value is desirable to be added to the construction project. Furthermore, AECOM, interpret it as below.

Soft costs are the capital expenditures that are required to complete an operational transit project but which are not spent directly on activities related to brick-and-mortar construction, vehicle and equipment procurement or land acquisition.

On the other hand, AIA defined it as those expenses incurred by owner in order to make a project move forward. Whereas Hansen and Stolz defined it as those costs that do not directly attribute to the physical components of construction costs and mostly included the cost of design, legal and financing.

Regarding to Martland and Warsame, indirect cost was normally contributed to the largest component of fixed costs in which the costs were virtually not affected by any changes or fluctuate in activity level over a feasible range of operations. Design cost and construction services cost are the components of soft cost. In short, total construction capital cost is the sum of the site cost (acquisition cost), hard cost (direct cost) and soft cost (indirect cost) as equation:

$$\text{Total project capital cost} = \text{Site cost} + \text{Hard cost} + \text{Soft cost}$$

As shown on Fig. 2, there are seven typical components of site cost which is land cost, commissions and fees, title insurance, transfer taxes, surveys, demolition and site works. In which transfer taxes is term of Real Property Gain Tax (RPGT) in Malaysia.

On the other hand, a building material cost is mainly based on the building material selection which is considering the economic factors, health factors, sensorial factors, site factors, social-cultural factors and technical factors. Since, each construction project is unique, therefore there is no possible to have an identical building materials quantity, costing and selection.

Though there are various types of building materials is used in the industry, but there is some materials that is identified as the main building materials for majority project as listed in Table 3.

In another scenario, installation cost regarding to Fig. 2 consist of labour and equipment cost. Similar to the building materials selection, there is a lot of building trade labour and equipment machinery in the industries. However, CIDB had indicated twelve and seven most common and widely used of building trade labour and building equipment machinery as listed in Table 4 and 5 accordingly.

Soft costs include all professional, technical and management services (and related professional liability insurance costs) related to the design and construction of fixed infrastructure during the preliminary engineering, final design and construction phases of the project.

Table 3: Typical component of building materials

Item	Authors			Average (%)
	Farid and Othman (2009)	CIDB :Bab3 (2011)	Panduan Pelaksanaan Syarat Perubahan Kontrak -Binaan Bangunan (2015)	
Aggregate	X	X	X	100.00
BRC A10		X		33.33
Brick	X	X	X	100.00
Cement	X	X	X	100.00
Ceramic	X			33.33
Glass	X		X	66.67
Iron/Steel reinforcement	X	X	X	100.00
Metals			X	33.33
Paint			X	33.33
Ready mixed Concrete		X	X	66.67
Sand	X	X	X	100.00
Tiles			X	33.33
Timber	X		X	66.67
Fittings			X	33.33
Materials				
Plumbing			X	33.33
Materials				
Roofing s	X		X	66.67
Materials				
Ceiling			X	33.33
Materials				
Piping			X	33.33
Materials				

Table 4: Building trade labour (CIDB, 2015)

Item	Labour
1	General worker
2	Concrete
3	Steel bar bender
4	Carpenter (Formwork)
5	Carpenter (Joinery)
6	Bricklayer
7	Roofer
8	Structural steel worker
9	Plumber
10	Plasterer
11	Tiller
12	Painter

Table 5: Building equipment and machinery (CIDB, 2015)

Item	Machinery and equipment
1	Excavator/backhoe
2	Mobile crane
3	Bar cutter/bender
4	Concrete mixer
5	Power trowel
6	Concrete vibrator c/w poker
7	Marble/granite polisher

More detail, the typical soft cost components for a project is summarized from different authors and listed as Table 6 and Fig. 3.

Table 7 shows the typical main components for a building (Alaghbari *et al.*, 2012). An average that greater than 50% is selected and considered as the main components for a building.

Table 6: Typical soft cost components

Item	Authors					Average (%)
	Hansen (2006)	AECOM <i>et al.</i> (2010)	Alaghbari <i>et al.</i> (2012)	AIA (2013)	Jenkins (2013)	
Architectural Fees	x	x	x	x	x	100
Engineering Fees	x	x	x	x	x	100
Other Professional		x	x	x		60
Construction Interest	x				x	40
Environmental Studies			x			20
Site testing	x					20
Taxes			x			20
Marketing	x	x	x	x	x	100
Leasing	x					20
Carry/Services		x			x	40
Management		x		x		40
Legal fees	x	x	x	x	x	100
Insurance		x		x	x	60
Loan fees / Interim finance	x		x		x	60
Profit and overhead				x		20
Miscellaneous					x	20

GST on construction capital cost and properties price

Sales tax vs GST: First and foremost before GST implementation, under all the construction capital cost, only hard cost had been charged 5% of sales tax. Further, only parts of the construction hard cost which is under the second schedule goods are being charged. Thus, the developer construction cost is not so heavy. In contrast, under GST Act, all of the construction goods and services (hard cost and soft cost) are entirely being charged as a standard rate tax as illustrated in Table 8.

Impact of GST on construction capital cost and housing property price:

The supply of land used for agricultural, residential or general purpose is exempt from GST”.

Regarding above, although, supplies in form of sale, lease or rental of residential properties are exempted from GST but all of the construction goods and services are not exempt from GST yet is being charged on standard rated irrespective to the types of properties that is carry out (RMCD, 2013). Figure 4 and 5 clearly explain such scenario.

In other scenario, according to Daliæ who make an economic survey on the price effects of GST at Republic of Croatia who implements this tax system at 1998, found out that after GST implementation, the construction materials get an average burden of 23.09%. This means that the construction materials were increased by an average of 23.09% after a year of implementation.

Site Costs	Hard Costs		Soft Costs	
Land	Building	Interiors	Development Costs	
- Land cost - Commission and Fees - Title Insurance - Transfer Taxes - Demolition - Site work	+ - Foundations - Structure - Enclosure - Interior Finishes - Conveying - HVAC & plumbing - Electrical	+ - Tenant work - Artwork - Furniture, Fixtures & Equipment - Telephone & Data Communications System	+ - Design Fees - Management Fees - Legal Fees - Taxes & Levies - Insurance - Owner's administration - Leasing commissions - Interim Finance - Moving Costs	= Total Capital Costs
Costs most influenced by architect's decisions				

Fig.5: GST input or output flow for a typical construction project

Table 7: Summarized of typical main components for common housing roperity

Site cost	Hard cost				Soft cost
	Building materials	Labour	Equipment and machinery		
Land cost	Aggregates	General labour	Excavator/backhoe		Architectural fees
Commissions and fees	Brick	Concreter	Mobile crane		Engineering fees
Title Insurance	Cement	Steel bar bender	Bar cutter/bender		Other professional fees
Transfer taxes (RPGY)	Iron/steel reinforcement	Carpenter (Formwork)	Concrete mixer		insurance
Surveys ready mixed concrete	Carpenter (Joinery)	Power trowel	Marketing		
Demolition	Sand	Bricklayer	Concrete vibrator c/w poker		Legal fees
Site works	Glass	Roofer	Marble/granite polisher		Loan fees/interim
-	Timber	Structural steel worker	-		-
-	Roofing materials	Plumber	-		-
-	-	Plasterer	-		-
-	-	Tiller	-		-
-	-	Painter	-		-

Furthermore, Lugaria also state that the construction costs at Kenya have been pushed up to crazy levels due to GST until give an impact to developer felt that it does not make economic sense any more to build homes for sale. Additionally, Table 9 below illustrated the example of tax incurred on developer. The main purpose of exempt tax on residential property is attempted to reduce the tax burden on the housing buyers from the low-income household as it was the basic necessity to the citizen.

It was noticed that in most cases, the additional cost (standard-rated goods) cost can passed on to the final consumer or can be claimed back from the government if it is a zero-rated goods. But in exempt-rated, the party (developer) act as the final consumer who borne the tax before the final consumer as they do not have a next 'victim' in the supply chain.

With standard rated in all construction goods and services, the construction capital cost especially hard cost is getting higher in the rate of nearly 3.97% as

Table 8: Construction cost: sales tax vs Goods and Services Tax (GST) (KiniBiz)

Sales Tax Act 1972	GST
Basic Material, i.e. cement, brick, ceramic products, metal, non-alloy metal, lift etc.0%	All construction material are standard rated 6%
Certain material, i.e. sanitary ware, standardwood finishes, asbestos cement, base metal mountings for door, staircase, cabinet 5%	All construction material are rated 6%
Construction services are not taxable. N/A	Construction services are standard rated 6%

Table 9: Example of tax incurred on developer

Description	RM	Type of supply
Condominium unit	400,000	Exempt supply
Renovation	30,000	Standard rate
Sofa set	10,000	Standard rate
Refrigerator	3,500	Standard rate
Curtain set	1,800	Standard rate
Legal fee (free)	3,000	Standard rate
Total	448,300	

illustrated in Table 10. Subsequently, as mentioned by the Sarawak Housing and Real Estate Developers Association

Table 10: Effect of GST on hard cost elements

Items	Pre GST		Post GST		Net Changes (%)	
	Weightage (%)	Total (RM)	Weightage (%)	Total (RM)	Weightage (%)	Total (RM)
Structural elements	43.56	51,254,000	44.41	54,329,240	0.850	6.00
Architectural elements	19.29	22,698,000	18.73	22,914,171	-0.560	0.95
Finishes elements	17.58	20,691,000	17.07	20,888,057	-0.510	0.95
Services elements	3.38	3,980,000	3.28	4,017,905	-0.100	0.95
M and works	16.18	19,040,000	16.50	20,182,400	0.320	6.00
Total	100.00	117,663,000	100.00	122,331,773	0.000	3.97

Table 11: Sales tax on residential properties

Supply chain	Cost	Final cost after tax claims	Profit margin	Sales price	Sales tax	Tax collected	Total collected
Construction materials							
First schedule goods	100,000	100,000	20	120,000	0	0	120,000
Second schedule goods	100,000	100,000	20	120,000	5	6,000	126,000
							246,000
Construction and development							
Construction contractor	246,000	246,000	50	369,000	0	0	369,000
Developer	369,999	369,000	50	553,500	0	0	553,500
Final cost to consumer							553,500

Table 12: GST on residential properties

Supply chain	Cost	Final cost after tax claims	Profit margin (%)	Sales price	Sales tax (%)	Tax collected	Total collected
Construction materials							
Standard rates goods	200,000	200,000	20	240,000	6	14,400	254,400
Construction and development							
Construction contractor	254,400	240,000	50	360,000	6	21,600	381,600
Developer	381,600	381,600	50	572,400	0	0	572,400
Final cost to consumer							572,400

(SHEDA) secretary-general, Sim Kiang Chiok claim that with the increment cost of any supply or goods, it will naturally torrent into an increase in building costs. It was also stated by Dato' Ng Seing Liong, chairman of Malaysia Property Expo (Mapex) that, instead of being zero-rated on residential property, the GST exemption leaving the developer who also acts as a seller unable to claim backs the 6% of input tax. From Table 11 and Table 12, the price on new housing properties to the consumer is subjected to be increased of 3.41% once GST implementation.

Initially, when SST is being implemented, only the second schedule goods are being charged. And as overall, the total construction materials cost would be cheaper if compare with Table 11 where all of the construction goods is being charged 6% of GST. Moreover, since sales tax is not being charged at construction and development stage, hence, the total final cost to consumer will be far cheaper if compare to GST on residential properties.

As a result, due to the developers were now not able to directly pass on the higher input costs to the buyers. Concurrently, the cost of total production will increase, because the supplier is not subjected as exempted tax. Besides that, the effects of GST were cause to raise the end prices of a building by 4-8% towards the country of Costa Rica who having a GST rate at 13%.

Initiatives to soften the GST impact towards developers:

It is known with the impact that developer gain from GST implementation. In order to reduce or soften or minimize the impact, REHDA had request Malaysia Federal Government to consider making all the housing properties that below RM500, 000.00 as a zero-rated supply instead of exempt-rated so that to allow the developers to claim the input tax from the building materials used for the developments and there would be no embedded GST in final price of property because it could be refund.

In addition, by adopting to the Submission Australian Tax Review into Malaysia circumstance, it can recommended that if it is not possible for government to abolish the GST exempt tax on residential properties, then government can help to soften the developer by abolished or decreased the rate of the stamp duty and the Real Property Gain Taxes (RPGT) that charges on developers heavily (Table 12).

Besides that, the alternative ways recommended by MCT Executive Director Lim and Tong that developer can consider by not reducing the profit gain is via using the in-house construction capabilities which is able to cushion off 1.3% towards the developer in overall. By using in-house resources instead of acquiring outsources specialist, the development planning, architectural and engineering design, quantity surveying and procurement, interior design, project management and construction can be covered and reduce the GST impact as all costs were charged under one roof.

Table 13: Summarized Sources of GST impact on construction capital cost and housing property price

Source (Year)	Country	Statements
Kinibiz (2000)	Malaysia	Second schedule goods are being charged. Construction services are taxable.
Daliã (1999)	Croatia	Increase construction materials up to 23.09%.
Lugaria (2014)	Kerya	Push up total construction costs. Impact developer, felt does not make economic sense to build homes for sale.
MoF (2015)	Malaysia	All construction supply services are being taxed to developer except supply for residential
Sharon (2014)	Malaysia	Increase cost of supply or goods will increase in building cost.
Hisyam (2015)	Malaysia	Increase of Hard Cost to nearly 3.97%.
Goh (2015)	Malaysia	Increase to nearly 3.41% new housing properties price.
Nurul (2014)	Malaysia	Increase in total production cost.
“CostaRica,” (2014)	Costa Rica	Increase price of building by 4-8%.
Farah (2014)	Malaysia	Make Exempt Rate on housing property which below RM500, 000 into Zero-Rated supply.
Submission Australian Tax Review (2008)		Australia Abolished or Decreased rate of stamp duty or RPGT.
Mokhtar (2015)	Malaysia	Ask developer used in-house source.

In short, as mentioned by Lim and Tong, as an integrated developer it had his in-house construction and trading companies as well as design team, to minimize the GST impact.

The entire source towards the GST impact on construction capital cost and housing property price was summarized as Table 13.

CONCLUSION

This study justifies the problems of GST associated in Malaysia construction industry and its effect towards the construction capital cost, housing developer and housing property price. Argument of this impact will be useful for the public administrators when implementing the rates of GST. To conclude that, this study reviews the GST do give an impact towards the construction capital cost, housing developer and housing property price in term of knock-on effect.

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