MALAYSIA • What’s Inside – January 2014

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SMC COLLECTS 95 PCT OF ASSESSMENT RATES, BEST IN THE STATE

The success of collecting 95 per cent of assessment rates for 2013 by Sibu Municipal Council (SMC) is a pleasant surprise to Local Government Minister Dato Sri Wong Soon Koh.

Wong, who is also the Second Finance Minister and Minister of Community Development, said SMC surpassed all other local authorities in the state in rates collection.

“I’m quite taken aback for other councils had only managed to collect between 80 and 84 per cent,” he pointed out.

“That’s a reflection of how efficient and serious you are in managing your tasks,” he told councillors and council staff at their annual dinner held at RH Hotel here Monday evening.

Urging the councillors not to rest on their laurels, he said he looked forward to greater achievements from them in the coming year.

“There is greater rural-urban migration. Urbanization is an in-thing in many parts of the state.

“This could force local authorities, especially the municipal councils to stretch to their limits,” he noted.

Wong also cautioned the councillors to accept that with internet complaints and criticism could spread very fast and they must act fast to address or explain grievances brought up by rate payers.

“A grievance of one person in the past remained the grievance of that person. But time has changed. A grievance of a person can appear on the Internet and shared by tens, hundreds and thousands of people instantly.

“SMC is at the forefront of the three tiers of local, state and federal governments. So being the ‘fighters’ at the forefront on behalf of the government as a whole, it needs to be caring at all times by providing quality services to the people.”

Wong also congratulated SMC for winning the national award for counter service.
The minister added that in view of the different segments of the community and to cover wider spectrum of the community, the government had proposed to appoint five members from the non-governmental organizations to sit in every council.

“This will add up to 30 councilors, with five coming from the NGOs. In other words, it will not be appointed by political parties. It will be from the community at large.

“From 2014 onward, local councils will each have 30 councilors instead of 25. Plus the chairman and deputy chairman, each council will have 32 councilors.

“With a bigger group, it will be given heavier responsibilities.”

Sibu Resident Sim Kok Kee, SMC chairman Datuk Tiong Thai King, deputy chairman Daniel Ngieng Kiong Ann and secretary Hii Chang Kee were among those present.

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**UNDER PRESSURE, DBKL CUTS PROPERTY RATES BY 1 TO 4 PERCENTAGE POINTS**

City property owners here will be paying slightly lower assessment rates from January 1 after the Kuala Lumpur City Hall (DBKL) decided on a reduction of between 1 and 4 percentage points following widespread disgruntlement.

Federal Territories Minister Datuk Seri Tengku Adnan Mansor, who announced the new deal, added that disabled and pensioned property owners will be given rebates, in addition to those who reside on their properties.

“I agree for DBKL to implement a revaluation of properties in Kuala Lumpur, but I have asked for the revaluation to not cause a very high increase towards the total assessment rate which must be paid by property owners until it burdens them,” Tengku Adnan told reporters here.

For properties which fall within the 36 square miles radius from Kuala Lumpur, they will be subjected to 10 per cent of tax instead of 12 per cent for commercial properties; and 7 per cent instead of 10 per cent for service apartments.

For properties beyond the 36-square mile radius, the tax will be 8 per cent instead of 10 for commercial properties; and 5 per cent instead of 8 per cent for service apartments.

The annual tax for residences will be charged 4 per cent instead of 6 per cent, regardless of their location.

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**166,000 OBJECTION LETTERS RECEIVED OVER ASSESSMENT RATE HIKE, SAYS CITY HALL**

Mayor Datuk Seri Ahmad Phesal Talib said that some property owners had sent their appeal letters repeatedly to City Hall.

"We have eight panels to hear the complaints of the public on this, and this session will be wrapped up in March,” Ahmad Phesal told reporters today.

The proposed increase in assessment rates last year led to a public outcry over the past two months, after homeowners received notices from the local authority informing them of hikes allegedly between 100 and 250% to their existing annual rates.
Following the outcry, Federal Territories Minister Datuk Seri Tengku Adnan Mansor, however, said city property owners will be paying slightly lower assessment rates from January 1, after DBKL decided on a reduction of between 1 and 4 percentage points.

He said the disabled and pensioned property owners will be given rebates, in addition to those residing on their properties.

Pending the hearing, homeowners are allowed to pay their property taxes based on 2013’s rates, and can continue with the new rates in the next payment in the second half of the year.

Ahmad Phesal was speaking to the press after announcing the appointment of City Hall’s new director-general, Datuk Mohd Amin Nordin Abd Aziz.

Also at the press conference, Phesal said that the second term for property owners to pay up their assessment rate is in July.

On City Hall’s organising education programmes following public furore, he said: "If there are requests for such a need, we can do it.

"To me there's no harm. But we have laws and we have already given them time till December 17 to voice their grousers."

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PJ ASSESSMENT RATES STAY

THE Petaling Jaya City Council (MBPJ) has no plans to raise its assessment rates for now and will instead use revenue collected for services provided to administer the city.

Petaling Jaya mayor Datin Paduka Alinah Ahmad said the revenue included charges for putting up billboards, fees for business licences, rental, development fees, planning fees, advertisements, compounds and so on.

She said MBPJ’s budget for 2014 totalled RM350mil and that the council was taking a careful approach in spending the amount.

“We do not want to burden the people, especially in view of the rising cost of living now."

“Raising assessment rates will just make matters worse for them,” she said.

“MBPJ’s finance team has advised to approve the construction of commercial areas with a Gross Development Value (GDV) totalling RM13.6 bil until August 2013, compared to RM7.5bil for 2012,” she said, adding that once completed the projects would bring in revenue.

“On an average, the council’s One-Stop Centre receives 48 applications every month for new developments or redevelopment of an existing area.

“Of the 467 applications for development received between January and August last year, 225 were approved while the rest were not due to legal issues, failure to furnish full details and for not following planning specifications,” she added.
Alinah said an in-depth study on redevelopment of commercial buildings allowed the council to earn revenue in various forms.

“As stated under the Local Government Act 1976 (Act 171), the main function of a Local Authority was to provide and administer facilities and services for garbage collection, health, planning control and development for the people.

“In order to successfully execute its main function, the Act empowers the Local Authority to collect and gain income from selected sources.”

“A sufficient amount and adequate flow of financial resources are two of the main factors to ensure the sustainability of the administration of a local council. We have income from business licences, rental, development fees, planning fees, advertisements, compounds and other means,” she said.

Alinah said MBPJ’s Budget 2014 theme was Sustainable PJ where it focused on five sectors — sustainable infrastructure, sustainable lifestyle, empower the organisation, environmentally-friendly neighbourhood and urban transportation/traffic management.

“We will upgrade the drainage network to overcome flash floods, improve facilities for the physically challenged, build more cycle lanes and construct PJ Square next to the PJ swimming pool.

“All this is being done under sustainable infrastructure,” she said.

She added that the council was able to provide good services as it had allowed dilapidated areas to undergo an urban development process such as in Sections 13, 51 and 51A, which were anticipated to contribute a higher tax return in five years’ time.

“It will be more than 100% increase from the current tax value.

“It is important to have redevelopment as it will complement the transit on development concept proposed for commercial areas within the catchment area of Light Rail Transit and Mass Rail Transit,” she said.

Alinah said in PJ the commercial sector contributed a high tax value.

“It is a challenge for MBPJ to manage changes resulting from development, such as in harmonisation of land utilisation, traffic management, provision of public facilities and infrastructure as well as providing a healthy and quality environment,” she said.

KL PROPERTY OWNERS STILL UNHAPPY ABOUT ASSESSMENT RATES

While property owners in Kuala Lumpur may be relieved that assessment rates for the first half of the year remain unchanged, they regard it as cold comfort as the proposed increase in fees to come into effect in July will be capped at 35% of property valuation.

According to Bangsar Baru Residents’ Association secretary Prem Kumar Nair, residents who had filed objections to the proposed assessment fee hike were informed about this by Kuala Lumpur City Hall (DBKL) at a meeting between some 100 residents of Bangsar Baru and DBKL on January 15.
"If the new amount is set at a maximum of 35%, it would be fair, but there is nothing in writing yet," he told The Malaysian Insider.

He said those who fell under the senior citizen and owner-occupier categories were told that they would be getting additional rebates.

Bukit Bandaraya Residents’ Association president Datuk Mumtaz Ali also said that residents in his neighbourhood were told that the January to June assessment fees remained at status quo.

"We understand that the first six months’ bill will be the same as before. DBKL has said they will hear all those who sent in objections, with an outcome expected in April."

He said DBKL had also said that if residents were still unhappy with the new assessment fees, they could appeal or resort to legal recourse.

Villa Manja Residents’ Association secretary James Chow said that they were also told to stick to the old rates for the first half of the year.

He said their existing assessment rate was currently pegged at 4%, unlike most other residential properties in KL, which are subjected to a 6% rate.

Chow said about 40 residents in the 196-unit Villa Manja condominium had filed objections to the proposed revised fees.

"Most of the units here are owner-occupied. We have told them this and they said they will look into the matter. In the meantime, the old fees apply."

Mumtaz said residents in Bukit Bandaraya would continue to object to the increased valuation of their homes, which was based on annual rental, as most of his neighbours were owner-occupiers.

It was previously reported that the valuation of the properties, which was based on annual rent, had gone up by between 100% and 1,000%, and the new valuation amount was used to calculate the assessment fees.

Mumtaz said DBKL’s rationale that it had not raised assessment fees for 20 years could not be used to increase fees now.

"If they did not raise it, they did so for their own reasons."

Mumtaz added that even if DBKL capped the increase from the previous assessment fees at 35%, the authorities must explain why they will be collecting more.

"They have not justified what has changed to warrant the higher fees, their services have definitely not improved. And rental income does not apply to everyone."

Seri Petaling Residents’ Association chairman Tan Tai Tong agreed, saying that certain property owners had received their new notices, which indicated that the assessment rate for residential properties had been reduced from 6% to 4% and from 10% to 8% for commercial properties.

*The items included in IPTI Xtracts have been extracted from published information; IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.
He said while this would signify a reduction of between 20% and 33%, the valuation of properties, which was based on annual rent, had gone up by almost 300%.

Using the example of a shop unit in Jalan Radin Anum, he said that the valuation of the property had increased from RM24,000 to RM87,000, signifying a 265% increase.

"So even if the rate goes down from 10% to 8%, the owners still need to pay RM4,500 more in assessment fees," he said.

Tan said the basis of pegging assessment fees to annual rental was flawed.

He added that when property owners collected higher rents, they would inevitably be subjected to higher income tax anyway.

"The market is bad, therefore business collection is bad. And almost everywhere, residential areas have engaged security services. All this means higher costs for the public. As such, DBKL should not increase assessment fees this year and burden the people."

Mumtaz also took issue with the venue of the hearings, saying that it was previously held in places like Cheras, which he said was unsuitable, especially for senior citizens who did not drive.

"I told them they should use the community centres in the Bangsar and Bukit Bandaraya areas, which are managed by DBKL instead of asking senior citizens to go to Cheras," he said, adding that since January 20, the location of the hearings have since been moved to the community centre in Bukit Bandaraya.

Prem agreed, saying that residents in his area were also asked to go to DBKL's centre in Cheras for the objection hearings.

"The people were disappointed with that."

DBKL had sent out notices late last year to all property owners in Kuala Lumpur informing them of the proposed hike in property valuation, which was to come into effect on December 31.

This left many property owners outraged by what they described as an exorbitant increase in assessment fees.

DBKL received 166,000 objection letters as of December 17, the final day for disgruntled property owners to appeal against the hike in assessment rates for their properties. Hearings are ongoing.