



**COLLEGE OF BUILT ENVIRONMENT  
UNIVERSITI TEKNOLOGI MARA**

**A COMPARATIVE STUDY OF PENALTY RATE IMPOSED ON  
EXEMPTION OF AFFORDABLE HOUSING DEVELOPMENT THROUGH  
AFFORDABLE HOUSING POLICY IMPLEMENTATION AT STATE LEVEL  
IN MALAYSIA**

**Academic Project Submitted in Partial Fulfilment of the Requirements  
for the award of the Degree  
Bachelor of Estate Management (Hons)**

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## ABSTRACT

As provided in the National Affordable Housing Policy, the State Government can implement a penalty or levy on the developers that are given an exemption from developing affordable housing in Malaysia. However, the implementation of these penalties in West Malaysia is not uniform, as states have their own interpretations and policies based on national policies. Through literature reviews, only seven states have implemented this penalty or levy, including Perak, Kelantan, Terengganu, Kedah, Pahang, Melaka, and Johor. The aim of the research is to objectives of this research are to identify the similarities and dissimilarities of penalty or levy implementation and evaluate the effects of penalty or levy implementation at the state level. The research is qualitative research and the method used for data collection is a structured interview session with the representatives from the housing department of each state and a literature review on related topics. For sampling, the researcher has divided all the states that implement the penalty or levy into three different categories for the purpose of this research which are the fixed percentage, range of percentages, and fixed value. The chosen states for this research are Perak, Kelantan and Terengganu. Content analysis will be used to analyse the data collection in each state. The findings of this research show that there are similarities and dissimilarities in the aim of implementation, the basis of penalty or levy rate and affordable housing prices, advantages and disadvantages of penalty or levy implementation at each state. Lastly, the effects of the penalty or levy implementation are also discovered and the main effect of this implementation is that the developers are aware of their responsibilities to develop affordable housing in their development projects. Therefore, the research shows that there are similarities and dissimilarities between the implementation of penalty or levy and its effects at state level and thus future research on this topic are required to ensure that a uniform penalty or levy rate can be determined to enhance the performance of affordable housing development at the state level to achieve the goals by Federal Government in providing the 500,000 units of affordable housing in the future.

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## TABLE OF CONTENT

CHAPTER	ITEM	PAGE
	Title Page	i
	Student's Declaration	ii
	Supervisor's Declaration	iii
	Acknowledgement	iv
	Abstract	v
	Table of Content	vi
	List of Tables	ix
	List of Figures	x
	List of Symbols / Abbreviations	xi
	List of Appendices	xii
<b>CHAPTER 1</b>	<b>BACKGROUND OF STUDY</b>	
	1.1 Introduction	1
	1.2 Problem Statement	2
	1.3 Objectives of Study	4
	1.4 Scope of Study	4
	1.4.1 Scope	4
	1.4.2 Limitation	4
	1.5 Significance of Study	5
	1.5.1 Industry Players	5
	1.5.2 Policy Makers	5
	1.6 Methodology	5
	1.6.1 Data Collection	6
	1.6.2 Data Analysis	7
	1.7 Research Flowchart	8
	1.8 Summary of Chapters	9



## CHAPTER 1

### BACKGROUND OF STUDY

#### 1.1 Introduction

Housing is a basic need for humans because it serves as a shelter and everyone needs shelter to live in. As stated in Article 25 of the Universal Declaration of Human Rights, everyone has the right to an adequate standard of living which includes the right to housing (United Nations, 1948). Hence, the housing sector is significant to the economic development and well-being of countries all over the world including Malaysia. The main issue in this sector that has been discussed from year to year is the unaffordability and inadequate housing for all the citizens, especially the citizens in the lower-income group. The federal government of Malaysia has established the Ministry of Housing and Local Government (MHLG) to formulate various policies, strategies, and frameworks to assist the housing sector. One of the main policies that have been formulated to cater housing issues is National Housing Policy 2018-2025. According to National Housing Policy 2018-2025 (2018), the formulation of this policy is envisioned to provide direction and basis for the planning and development of the housing sector by all ministries, related departments, and agencies at the federal, state, and local levels as well as the private sector. In addition, the ministry through National Housing Department also formulated National Affordable Housing Policy as the sub-policy to support the main policy for the scope of affordable housing development.

National Affordable Housing Policy (NAHP) has been prepared with the aim to provide a standard, specification, price range, and guidelines for affordable housing development in the country. All the states in Malaysia must adopt and follow these policies to implement affordable housing development in their states. The policies include the definition of affordable housing, characteristics of affordable housing,