

THE FINANCIAL PERFORMANCE OF ISLAMIC REAL ESTATE INVESTMENT TRUSTS (REITs) IN MALAYSIA

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ABSTRACT

Islamic real estate investment trusts (iREITs) is a fund or a trust that owns and manages income producing commercial real-estate which complied with Shariah. The aim of the paper is to study the recent performance of four iREITs in Malaysia, namely Al-'Aqar Healthcare REIT, Axis REIT, Al-Salām REIT and KLCC REIT, from 2012 until 2016. Trend analysis is adopted to analyse the performance focusing on dividend distribution per unit (DPU) and net asset value (NAV). Based on the findings, both DPU and NAV performance show a good track record and this is evident in the case of Al-'Aqar Healthcare REIT, KLCC REIT and Al-Salām REIT. Generally, it can be concluded that iREITs provide an attractive investment tool as it generates steady income in the form of dividend to the shareholders, while at the same time backed by quality underlying assets.

Keywords: Malaysian iREITs, dividend distribution per unit, net asset value

INTRODUCTION

Since 2000, The Malaysian Islamic capital market (ICM) has experienced a phenomenal growth of 16.3% annually, while the market size has reached RM1.69 trillion as at the end December 2016. There are 904 total listed securities in Bursa Malaysia up to 2016, which 671 of them are of Shariah-compliant securities. As in 2016, Shariah-compliant securities has been reported as worth

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RM1,030.56 billion in terms of the market capitalisation, which contributes to 61.81% to total market capitalisation. Among this, one of the Shariah-compliant income generating real estate that has been actively promoted by the Malaysian government is Islamic REITs (iREITs).

As the main regulator, Securities Commission of Malaysia (SC) has set up various guidelines to the market which consistently increase year to year, while at the same time played a role to encourage and support the market players to venture in ICM. This can be seen by introducing Guidelines for Islamic Real Estate Investment Trusts in 21 November 2005, which then led Malaysia as the pioneer in the world to introduce Islamic REITs (Securities Commission Malaysia, 2005).

It is recorded that the market capitalisation of Islamic REITs as in 2015 were RM16.11 billion. Then, in 2016, the number increase to RM18.53 billion, projected by 0.13%. Compared to market capitalisation of Islamic REIT to the total REITs industry, it contributes to 41.93% in 2016, dwindled a little bit compared to 2015 which is at 42.98%. The performance tells us that there is a progressing trend in Islamic REITs, but at a slow rate, however favourable. From this trend, two major points can be conclude; first, similar to conventional REIT, the iREITs is suitable more for long-term investment. Secondly, it seems like the target investors is institutional investors and not for retail investors (Ripain & Ahmad, 2016).

The study aims to study the performance of iREITs in Malaysia, namely, Al-'Aqar Healthcare REIT, Axis Real Estate Investment Trust, Al-Salām Real Estate Investment Trust and KLCC Real Estate Investment Trust for their five active years, starting from 2012 until 2016. For that purpose, trend analysis is adopted to evaluate both dividend distribution per unit (DPU) and net asset value (NAV). The key investment objective of issuing iREITs is basically to provide unit holders with stable distributions per unit with the potential for sustainable long-term growth of such distributions and the net asset value per unit. On the other case, there are two competing differences in risk-return trade-offs between conventional and Islamic REIT vehicles. Through Islamic perspective, if Shariah restrictions increase management costs of iREITs, iREITs are expected to attract higher risk premiums in order to compensate investors for assuming higher investment risks in iREITs (Sing & Razali, 2015). Illiquidity risk due to the smaller market capitalisation, in terms of distributions is also expected to increase iREIT premiums. On another hand, if investment universe of iREITs is significantly restricted by stipulated Shariah investment guidelines, systematic risks of iREITs could be significantly lower than those of conventional REITs. Sing and Razali

(2015) cited that iREITs have lower risk-adjusted returns relative to conventional Malaysian REITs during the crisis periods. Therefore, iREIT share price changes could be less correlated with stock market returns.

The performance of the return is measured by the performance of DPU and also NAV based on yearly performance of each iREIT. At the same time, the study is also intend to test if the each of iREIT behaves differently over the sample period. The findings of this study have important implications in terms of evaluating the performance of iREITs, since it entails the capability of certain particular iREIT to attract investors to invest in this security, due to its ability to diversify their portfolio, coupled with minimisation of risk. Additionally, this study also providing a glimpse of performance of different sections in the MREITs' property types like healthcare, retail, diversified and office that would give a vital information to the related parties to decide on which MREIT matches their investment portfolio. Finally, this study is expected to contribute to the literature of the development of Islamic capital market in Malaysia.

DEVELOPMENT OF ISLAMIC REITs IN MALAYSIA

Real Estate Investment Trusts (REITs) is a category of liquid securities that permit investors to access and participate in the relatively illiquid immovable property markets. The edge of this security is that the investors can trade without having to trade in physical assets. As a result, it created a strong appeal amongst investor due to their favourable tax treatment and auxiliary opportunities for global diversification (Kola & Kodongo, 2017). REIT operated with the objective of operating them as part of their investment portfolio, thus REITs acquire and/or develop real estate differently from other listed real estate firms which commonly resell real estate assets post-development.

In short, the REITs are a type of unit trust, in which the property is the underlying asset. REITs manage and rent out various properties, and income from the rental is paid to its shareholders as dividends (Assaf, 2015). A REIT purchases its properties from developers, through equity raised by shareholders (Versmissen & Zietz, 2016). The Securities Commission of Malaysia defined REITs as “unit trust scheme that invests or proposes to invest primarily in income-generating real estate” (Securities Commission Malaysia, 2005). The definition of REITs can be explained as an investment vehicle that invests or proposes to invest at least 50% of its total assets in real estate. An investment in real estate may be by way of direct ownership or a shareholding in a single-purpose company whose principal assets comprise real estate (Securities Commission Malaysia, 2005). The only

exception is income-generating real estate and fund management of iREITs must fully comply with Shariah rules and regulation (Sing & Razali, 2015).

Islamic REITs are REITs that are structured in accordance with the Shariah compliant guidelines outlined by the Syariah Advisory Council (SAC) (Securities Commission Malaysia, 2005). iREITs are required to set up Shariah committees, which will then spell out Shariah guidelines on permissible investment activities to be undertaken by iREITs (LaBrooy, 2013). Unethical business activities and practices are screened based on a set of sector and financial guidelines—permissible of not more than 5% of the total firm revenue (Dewandaru, Masih, Bacha, & Masih, 2017). This includes several business activities in conventional financial services, and investments in low gearing firms, conventional fixed income instruments (such as bonds), interest-based instruments/accounts and derivatives, as well as short selling (MIFC, 2013). Some thresholds on liquidity (accounts receivables, cash and short-term investments), interest income and gearing (total debt to total asset ratio) are commonly adopted in the financial ratio screens (Hasan, 2011).

When compared with other countries that issued iREIT, the closest one would be Singapore. However, the only framework exists is the legal structure with no intricate details on Shariah guidelines. Moreover, the legal framework applied to iREIT also applied to conventional REIT as well. Nevertheless, the Shariah framework pertaining to iREIT is determined by the respective Shariah Board of the iREITs called Sabana Shariah Compliant REITs. This could be in the same situation like what happened in Dubai where the framework is determined by Dubai Islamic Financial Committee. Singapore's first iREIT is called Sabana REIT and listed in the Singapore Exchange Securities Trading Limited in 2010. By the third quarter of 2013, Sabana REIT portfolio had been valued at SGD 1.22 billion, consisted of 22 properties and topped as the world's largest iREIT. Strangely, Indonesia which is the most populous Muslims in ASEAN had still not issued any iREIT as yet. Nonetheless, it is hinted by Indonesian *Otoritas Jasa Keuangan* (OJK) or Financial Services Authority that such regulation is in the planning and may be released in the near future. Currently there are four types of REIT being issued in the world and this include, equity REIT, mortgage REIT, hybrid (equity and mortgage) REIT, and stapled REIT. Since Shariah framework had existed in Singapore, it is apt to compare both Malaysian and Singapore framework in several segments. Table 1 gives the comparison between Shariah parameters in iREITs between Malaysia and Singapore.

Table 1
Shariah Parameters between Malaysia and Singapore for REITs

Issues	Malaysia (As Per Guidelines)	Singapore (As Per Sabana Shariah Compliant REIT)
Acquiring new assets (with existing tenant)	<ul style="list-style-type: none"> • Tenants must operate permissible activities • If some tenants operating non permissible activities: should not exceed 20% of the i-REIT turnover • Not allowed to acquire any property which operates 100 % non Shariah compliant 	<ul style="list-style-type: none"> • If mixed activities, must obtain prior approval from Shariah Committee. • No mention about percentage
Continuous rental	<ul style="list-style-type: none"> • Not allowed to any single tenant whose activities are non-permissible (100% must be Shariah Compliant) • Mixed activities: Calculation will be based on the ratio of area occupied for non-permissible activities to the total area occupied 	Non permissible activities <5.0% per annum of the Gross Revenue
Financing, investment and deposit facilities	Must be Islamic	<ul style="list-style-type: none"> • Must be Islamic, if not available/ viable, can do conventional but with permission from Shariah Advisers, subjected to three ratios: <ol style="list-style-type: none"> i. Total interest-based debt to trailing 12-month average NAV ratio must be less than 33.0% ii. Sum of cash and interest-bearing securities, must be less than 33.0%. iii. In addition to the above, all accounts receivable, must be less than 33.0%. • If breached, the manager shall bring it back within the threshold within a period of two reporting quarters or six months, whichever is sooner. Shall get approval from the Shariah Committee to accept banking facility from a non-Islamic financial institution, even if the above ratios are not breached.

(continued on next page)

Table 1 (continued)

Issues	Malaysia (As Per Guidelines)	Singapore (As Per Sabana Shariah Compliant REIT)
Takaful /Insurance	Must be Islamic, if not available/ viable, can do conventional but with permission from Shariah Advisers	Same
Risk management solution	-Only for hedging purposes -Must be Islamic, if not available/ viable, can do conventional but with permission from Shariah Advisers	Same
Cleansing process	No mention	The net amount of non-permissible income (after deduction of applicable expenses) before distribution of net income.

(Source: MIDF, 2016)

In Malaysia, there are currently four iREITs that are still actively traded on the Bursa Malaysia, formerly the Kuala Lumpur Stock Exchange, which include Axis REIT, Al-Aqar Healthcare REIT, KLCC REIT and Al-Salam REIT. Al-Aqar Healthcare is the first Islamic REIT established on 28 June 2006, and listed on the Main Board of Bursa Malaysia on 10 August 2006 (Al-Aqar REIT Annual Report, 2016). Axis REIT was not originated listed as an iREIT, but the management opted to switch the status from a conventional REIT to an iREIT structure on 11 December 2008 (Axis REIT Annual Report, 2016). The KLCC REIT was registered with the Securities Commission (SC) on 9 April 2013 (KLCC REIT Annual Report, 2016); while Al-Salam REIT was the latest iREIT registered with the SC on 30 March 2015 (Al-Salam REIT Annual Report, 2016). Basically, there is not much difference between the fundamentals of issuing iREITs with the conventional REITs. However, certain factors made iREITs became unique compared to the conventional REITs. Some of the reasons are discussed as below:

Shariah Compliance

In 21 November 2005, Guidelines for Islamic Real Estate Investment Trusts was issued (Securities Commission Malaysia, 2005). The guidelines issue for Islamic REIT in Malaysia are shown in Table 2.

Table 2
Guidelines for Islamic REIT in Malaysia

Permissible	Non-Permissible
All forms of investment, deposit and financing instruments comply with the Shariah principles.	Financial services based on <i>riba</i> (interest)
Must use the <i>Takaful</i> schemes to insure its real estate.	Gambling or gaming
Permitted to participate in forward sales or purchases of currency, or deal with Islamic financial institutions	Manufacture or sale of non-halal products or related products
Syariah-compliant assessments must be carried out by the appointed Syariah committee/Syariah adviser	Conventional insurance
Rental incomes from non-permissible activities must not exceed 20%.	Entertainment activities that are non-permissible according to the Shariah
Disqualified tenants whose activities are fully non-permissible	Manufacture or sale of tobacco-based products or related products
	Stockbroking or share trading in Shariah non-compliant securities
	Hotels and resorts

(Source: Guidelines for Islamic Real Estate Investment Trusts)

Table 3
List of REITs in Malaysia

Conventional REIT	Islamic REIT
AmFirst Real Estate Investment Trust Estate	Axis Real Estate Investment Trust
AmanahRaya Real Estate Investment Trust	Al-`Aqar Healthcare REIT
Atrium Real Estate Investment Trust	Al-Salam Real Estate Investment Trust
CapitaMalls Malaysia Trust	KLCC Real Estate Investment Trust
Tower Real Estate Investment Trust	
Hektar Real Estate Investment Trust	
IGB Real Estate Investment Trust	
Pavilion Real Estate Investment Trust	
Amanah Harta Tanah PNB	
YTL Hospitality REIT	
MRCB-Quill REIT	
Sunway Real Estate Investment Trust	
UOA Real Estate Investment Trust	

Other than the activities listed above, the Shariah committee/adviser can apply *ijtihad* (independent reasoning or the thorough exertion of a jurist's mental faculty in finding a solution to a legal question) for other activities that may be deemed non-permissible to be included as a criterion in assessing the rental income for the Islamic REIT. Up to 30 September 2015, there are 17 funds under management. Four funds are classified as Shariah-compliant and another 13 are non-Shariah compliant. The data extracted from Datastream is presented in Table 3.

Liquidity

The shares of iREITS are listed at the Main Market of Bursa Malaysia Berhad. It is more liquid compared to physical properties. The units of listed iREITs can be readily bought and sold in the stock exchange market.

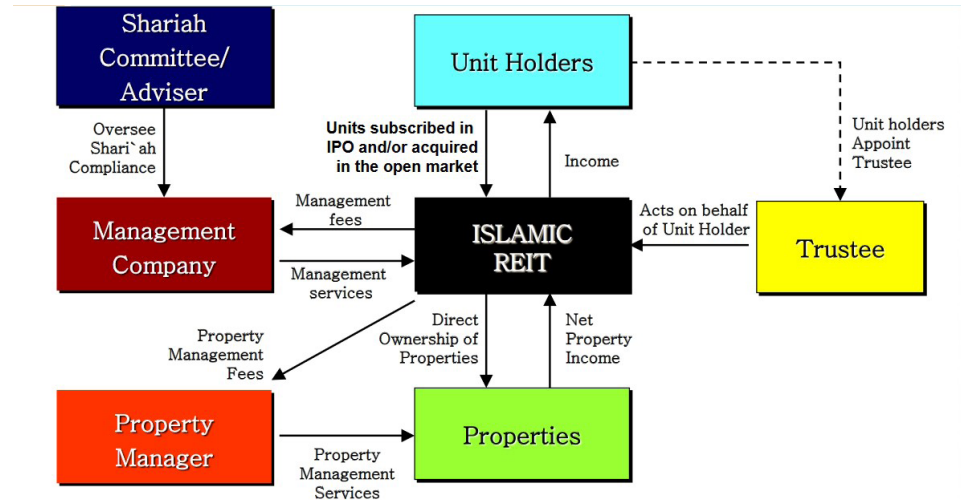
Structure of iREIT

The establishment of iREITS benefited the participants in terms of diversification effect. It helps the participants to broaden their investment portfolio and diversify risk. Besides the above reasons, there are many other that can be further discussed. Ripain and Ahmad (2016) cited that tax transparency and expert management are also the reasons why investors keep looking for iREITs. In this study, it can be suggested that quality assets and income stability do attract institutional investors to invest in iREITs.

Other than that, it would be appropriate to note that one of the factors towards the better performance of iREIT is the creation of its financial instrument. For example, Shariah-compliant perspective as being described by Hasan (2011) is where "asset used may be utilized to reach the same effect like the conventional products" with a little "twist" on financing instruments.

In Shariah-compliant REIT, the REIT is considered to fulfil Shariah Principle in Capital Market as long as there is no breach to the Principle even when the REIT is designed as a conventional investment instrument. For example, a conventional industrial estate REIT may be deemed Shariah-compliant if there are no Shariah prohibited goods manufactured in the vicinity, no conventional borrowing is undertaken by the REIT, and that the REIT does not undergo Shariah prohibited transactions. It can be analogous to Shariah-compliant shares. In this case, the REIT would be listed under Shariah-compliant Securities List (DES) similar to ordinary shares. However, should the REIT undertake conventional interest-based loan to acquire new property, for example, it would then be delisted from DES until the loan is paid.

In Shariah-based REIT, the REIT is designed to be Shariah instrument from the initial construction, so that it shall fulfil Shariah Principle in Capital Market and be listed in DES at all time. For example, a Shariah hotel REIT is made with Shariah Supervisory Board (DPS) at the hotel level and REIT level to ensure Shariah-compliancy of the operating hotel and the REIT structure at all time. This REIT can be analogous to Sukuk, which will be unlikely that Shariah-based REIT would be “relinquished” from DES due to its design and Shariah supervision.



Adapted from Farris Aziz Faizal, Senior Manager CIMB Islamic

Figure 1. Typical structure of Islamic REITs (Source: Hasan, 2011)

Figure 1 shows a depiction of a typical structure of Islamic REITs in Malaysia. The Malaysian regulatory framework ensures all REITs are governed by multiple level of stakeholders to ensure maximum investors protection. REITs in Malaysia fall under the regulatory purview of the SC and also under the purview of Bursa Malaysia Securities Berhad, which enables the environment through clarity of regulation and incentives to support the development of iREITs. The guidelines released by SC in November 2005 provides clarity for REIT Managers to manage Shariah compliant REITs and offer it as a new asset class for wealth management to investors across the globe. The guidelines allow up to 70% foreign shareholding in Islamic REIT management companies in Malaysia. Meanwhile, beginning on 2007 onwards, Section 61A of Income Tax Act extends tax exemptions at a level provided that 90% of the REIT income is distributed to investors. Additionally, any iREIT establishment must have a Shariah advisory committee to oversee the Shariah compliance of the REITs operations. A typical iREIT in Malaysia includes the following stakeholders:

- i. Investors/Unit Holders
- ii. REIT Manager
- iii. Shariah Advisory Committee
- iv. Trustee

Regulatory Authorities (SC and also Bursa Malaysia if listed)

Since REIT is allowed to invest in Real Estate related assets, they have to fulfil Shariah Principle in Capital Market as well, and be listed in DES if applicable (such as *Sukuk* and Shariah-compliant stocks). Shariah scholars generally allow for multi-lease properties to have non-permissible activities as long as they are below a certain threshold. The income received from non-permissible activities shall be taken out from REIT's operation and may be donated to charity. The 'cleansed' income would then be distributed to investors.

As to put into ones concern, the *Ijtihad* of Shariah scholars may be needed in determining acceptable technique to calculate threshold ratio. Several approaches are available such as utilisation of occupied space, length of service hours, portion of revenues, and number of traffic. Different asset may require different threshold calculation approach. Similarly, the iREIT investments, operations and management must be monitored, reviewed and approved by the appointed Shariah Adviser for several areas of concern namely:

- i. Rental of Real Estate
- ii. Investment, Deposit and Financing
- iii. Insurance/Takaful
- iv. Risk Management

This is important to ensure that the contracts and financing instruments applied adhere with Shariah guidelines. To date, there are two types of instruments that have been incorporated as the financing alternatives. The first one is *mudharabah* which consists of a contract between the investment managers as a wakil of investor (*Shahib al-mal*) with the property manager. The characteristics of *mudharabah* in REIT can be translated into:

- i. Sharing of profits between the investor (*Shahib al-mal*), through agency of the investment manager, and the investee (property manager) is according to the agreed proportion by both parties and that there will be no guarantee of fixed return to the investor.
- ii. Investor only shares the risk proportionate to the capital contributed.

- iii. Property manager does not bear risk of loss to the investment as long as no gross negligence (*tafrith*) is conducted on its part.

Alternatively, *ijarah aqad* can be used where investor (*Shahib al-mal*), through investment manager, receives rental payment from property manager for the use of the property. The property manager may sub-lease the property to other tenants and may use cost plus margin as the tenants' rental rate. Advantage of *ijarah aqad* is the relatively constant (less fluctuation) return for the investor as the spread risk is borne by the property manager. The *aqad* between investor and its agent (investment manager and custody bank) is conducted through *wakala bil-ujrah* (agency for fees). The investor gives a mandate to investment manager to invest on behalf of the investor in accordance with the terms and condition stipulated in the prospectus.

The development of iREITs, while lucrative, is not without challenges. One of the major challenges in the global development of iREITs is the lack of clear-cut regulatory framework and standards which can govern the principles and operations of iREITs. Most countries do not have established REIT rules for the listing of Shariah compliant properties while there also exist differences in Shariah interpretations among the various jurisdictions. The growth of iREITs in some regions, (such as the GCC), was also hampered by the global financial crisis which had a negative impact on the real estate sector, putting the plans of many managers to launch Islamic REITs on hold (MIFC, 2013).

As iREITs have a natural alignment with the Shariah principles which emphasise real sector investments, there is a considerable opportunity for financial institutions to introduce iREIT products in the market. To this end, Malaysia has the advantage of being the only country having a comprehensive and clear regulatory framework which provides clarity to managers who interested in operating the iREITs. Malaysia's flexibility in terms of allowing 70% foreign shareholding in Islamic REITs as well as placing no restrictions on locally-domiciled iREITs to own foreign assets, have provided vast opportunities for foreign REITs managers to make Malaysia as a viable avenue for listing REITs (MIFC, 2013).

RESEARCH METHODOLOGY

The performance of each iREIT namely the Al-'Aqar Healthcare REIT, Axis Real Estate Investment Trust, Al-Salām Real Estate Investment Trust and KLCC Real Estate Investment Trust is estimated by conducting the trend analysis depending on their active period of trading. For that purpose, income distribution per unit and net asset value will be used to indicate the performance. This study shared

certain similarities with the previous study done by Ripain and Ahmad (2016); albeit some modifications are made especially on the number of iREITs being incorporated by including all iREITs into the study.

By far and large, the trend analysis is a method of analysis that allows traders to predict what will happen with a stock in the future. Trend analysis is based on historical data about the stock's performance given the overall trends of the market and particular indicators within the market. Using the extracted data, the dividend distribution per unit (DPU) is calculated using the following formula:

$$\text{Dividend distribution per unit (DPU)} = \frac{\text{total amount of cash distributions}}{\text{total amount of unit shares issued}} \quad (1)$$

While the net asset value per unit (NAV) is computed by:

$$\text{Net asset value} = \frac{(\text{assets} - \text{liabilities})}{\text{number of outstanding shares}} \quad (2)$$

DATA SOURCES

The data are collected from 4 samples of iREITs in Malaysia (with focus on Al-‘Aqar, Axis, KLCC and Al-Salam REIT), which are still actively traded on the Malaysia's Bursa stock exchange (from year 2012 to 2016). The financial statement for each REIT was extracted from their annual reports for computing the DPU and NAV as well as to discuss their trends performance.

FINDINGS

The following part will discuss the observed relationship between each iREIT returns and economic factors underlying for each finding obtained.

Since the establishment of the REIT Guideline by Malaysian Securities Commission in 2010, the REIT performance in Malaysia have progressed significantly and reached a major achievement in 2006. Focuses on REITs' implementation in Malaysia, it shows a couple of conflicts on Malaysian REITs as well as giving a broader upgrade opportunity for a broader prospect on liquidity, the feasibility of operation, and the ability to improve at any level wander (Feng, Price, & Sirmans, 2011; Hamzah, Tahir, & Rozali, 2010). Consequently, there is a lack of responses from the perspectives of neighbourhood and non-tenancy monetary supporters. Taking Malaysian REITs for instance, phenomenal property assignment, range, size of firm and REITs capital structure made it troublesome

for the money related authorities to make any judgement upon Malaysian REITs (Ibrahim & Ong, 2008). Other than that, the institutional monetary speculation, benefit course of action and organisation style were also influencing the implementation of Malaysian REITs.

The findings show that the performance of Malaysian REITs remain profitable (in relative to the market portfolio) since most of them were listed after the global financial crisis. Nevertheless, most of the performances are low in market portfolio, lower average yearly net income but higher in total average of returns compared to the market portfolio. Taking a fair comparison with conventional REITs, most of them give a smaller systematic risk than the market portfolio.

A study done by Howe and Shilling (1990) even describe that firm size and property territory may not completely clear up REITs implementation. Additionally, Below, Kiely and McIntosh (1995) proposed that trading activity is less basic as a determinant of REITs implementation than the level of institutional ownership. Interestingly, their finding shows that the level of vulnerability engulfing worth of significant worth REITs is decreased when the level of institutional ownership rises.

On the other hand, REITs implementation is differentiated in perspective of different sort of property guaranteed. This is evident in the case of either retail REITs, office, or private REITs. The study on retail has recognised that there are ten factors which affect the level of rent per square foot. These variables are subdivided into two social affairs to be particular pay related components and masses related components (Abdullah & Wan Zahari, 2008). The study on office space showed the working environment rent in the metro region declined due to overbuilding in the 1980s impressively more than the reduction of office rental in the provincial market (Newell & Osmadi, 2009). The provincial office promotes more demand on account of components, for instance, better nature of transportation, higher country school quality, less stop up and wrongdoing, cut down rent offer, change in development and correspondence (Newell & Osmadi, 2009). There are mixed disputes on the ability of property sort complexity and implementation (Abdullah & Wan Zahari, 2008). Furthermore, since REITs are dealing with properties with different nature and risks, any dispute arises would probably cause disruption to the system (Newell & Osmadi, 2009).

In separate notion, the investment in incomes in Malaysia is approximately 3–5% yearly, which often relies on the individual fund's performance. Even though, MREITs are superior as Malaysia is a developing country, however its real estate values are still low—lags behind Asian developed nations which have

a solid volume. Nevertheless, there is still a room for expansion for the real estate section in Malaysia, and it consolidates as a transformation to develop better incomes between 6–8% which fair than other advanced nations (Ong, Teh, & Chong, 2011). Other Asian countries' REIT markets are advantageous over the Malaysian REITs. Nations like Singapore and Hong Kong have a withholding tax of 0% compared to Malaysia's 10%. The tax regime of MREITs is falling off behind Hong Kong hence making both of them an attractive destination for REIT listing. As a result, Malaysian Securities Commission and the government were anticipating in promoting Malaysian Real Estate Investment Trusts market through better and convincing initiatives (Ong et al., 2011).

One of them is through new regulations set up by the Securities Commission on the Malaysian REITs in 2005 on a move to develop a more vibrant and competitive REIT which can help speeds up the capital growth in Malaysia. This includes new aspects like reduction of restrictions in several transactions (loan limits on property purchases and owning of the leasehold possession encumbered by a fee) (Hyen, 2017). To facilitate the growth of MREITs, the authority exempts shareholders from the tax incentives and income distribution from the income and income tax it accumulates from the investors to recover the tax. Soon after, on 21 November 2005, new guidelines are introduced by the Securities Commission for the development of the Islamic REITs to further improving the Islamic capital industry (Hyen, 2017). The move seeks to strengthen the Islamic capital trading industry in Malaysia, which then transforming it into the first nation to offer such protocol in the international Islamic financial sector.

Due to these regulations, all the Malaysian REITs require distributing not less than 90% of their total income, and the income it attributes remitting taxes. The managers of the MREITs managers also hope that the government sets aside 10% withholding tax for the non-resident individuals and residents (Hyen, 2017). However, the waived withholding revenue of 10% on personal and other nation's investors was present until 31 December 2011. After that, the MREIT taxed the dividends it receives after the last payable amount with 15% to non-corporate investors and 20% to foreign organizational investors (Hyen, 2017). Consequently, the Malaysian 2010 budget built the Real Property Gain Tax (RPGT) to control the speculations trading attraction in a property.

The actions impose that the Shariah accepts around 20% of returns distribution of realized gains for Islamic REIT's revenue (Hyen, 2017). The authority uses this benchmark to measure the tax from rental payment from the activities which do not comply with the Shariah like dealing with liquor sales and gambling or rental of facilities involved receipts.

Getting into the scope, the first listed property trust in Malaysia had begun since the end of 80's when Amanah Harta Tanah PNB debuted on Bursa Malaysia in 1989. Nonetheless, the Islamic REITs in Malaysia had begun with the formation of Axis Real Estate Investment Trust which was listed in Bursa Malaysia Securities Berhad on 3 August 2005 (Axis REIT Annual Report, 2016). Since then, the REIT industry has been seen as booming tremendously and this continued with the formation of Al-Aqar Healthcare REIT on 10 August 2006 (Al-Aqar REIT Annual Report, 2016), KLCC Property Holdings Berhad (KLCCP) REIT on 9 May 2013 (KLCC REIT Annual Report, 2016) and recently with Al-Salām REIT on 29 September 2015 (Al-Salām REIT Annual Report, 2016). Figure 2 shows the fraction of market capitalisation of M-REIT for six type of property type, while Table 4 provides the list of REITs on Bursa Malaysia that is available as at March 2016. Following to that, Figure 3 ranked the highest 10 M-REITs by their market capitalisation.

The total market capitalisation of REITs in Malaysia grew to RM38.8 billion since the listing of Axis REIT, which accumulated the market capitalisation up to RM300 million. As at March 2016, KLCCP Stapled Group topped the list as the largest MREIT with a market capitalisation of RM12.7 billion, followed by Pavilion REIT (market capitalisation of RM5.4 billion) and IGB REIT (market capitalisation of RM5.3 billion).

Looking at the geographical distribution of asset, most of the iREITs properties are located at the West Coast areas, with a few located at the Northern part. For example, Axis REIT has a diverse portfolio of 39 properties that are located in the Klang Valley, Johor, Penang, Negeri Sembilan and Kedah with Axis's Top 10 tenants' contribution to gross income (multinationals and local public-listed companies gives a strong financial credentials), for the year 2015 alone recorded the percentage as high as 53%, increase 7% from 2014, which was at 46%, and continued to be at constant rate in 2016 at 52% (Axis REIT Annual Report, 2016). Other than that, the KLCCP REIT holds several assets comprising of Suria KLCC (a leading shopping mall) and Mandarin Oriental, Kuala Lumpur (a luxury hotel), as well as 33% interest in Menara Maxis. Outside the KLCC Development, KLCCP owns Kompleks Dayabumi which is located within the older central commercial area of Kuala Lumpur, while Al-Salam REIT are strategically located in Johor Bahru as well as in major towns throughout Malaysia (Al-Salām REIT Annual Report, 2016).

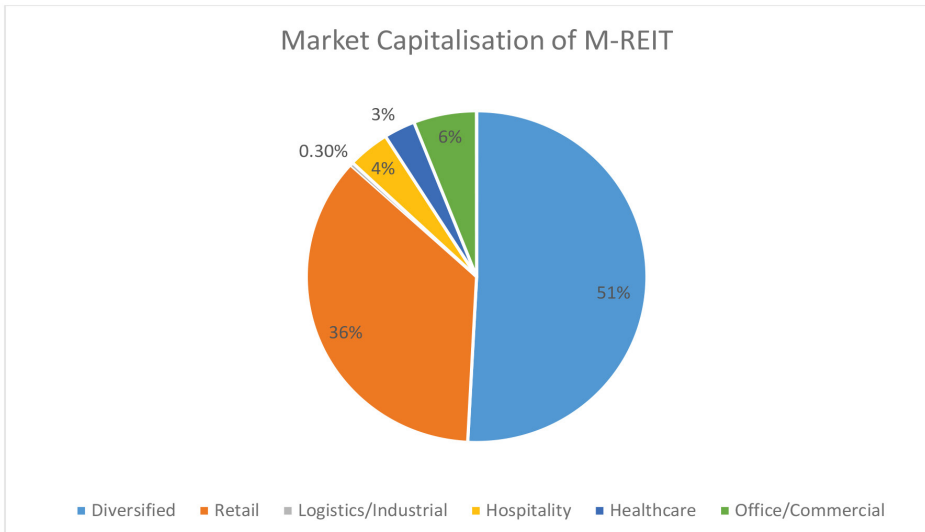


Figure 2: Market capitalisation of M-REIT by property type (Source: MIDF, 2016)

To date, the biggest asset value is shown by KLCCP REIT. As at 31 December 2016, the assets exceeded RM17 billion with market capitalisation hitting the RM15 billion, accounting for 34% of the Malaysian REIT, underpinned by the resilience of the PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS. These assets alone had generated total comprehensive income (excluding fair value adjustment) of RM454.3 million, representing 55% of KLCCP Stapled Group's total comprehensive income (KLCC REIT Annual Report, 2016). Interestingly, Axis REIT has shown a tremendous growth in asset accumulation dated back since its inception in 2005, where they only had 5 properties with a total asset size of RM296.0 million, currently Axis REIT have 39 properties worth RM2.2 billion which clearly demonstrate their commitment of continuously delivering a superior performance for the fund (Axis REIT Annual Report, 2016). Also, Al-Salām REIT's asset which had initial fund size of RM580 million had jumped to RM911.4 million (with most assets covered 31 properties in the retail, office and food and beverage sectors). As at 31 December 2016, their property value has increased to RM922.1 million, which represents a modest increase in percentage of 1.2% from that of 2015 (Al-Salām REIT Annual Report, 2016).

Table 4
REITs listed on Bursa Malaysia as at March 2016

No.	REITs	Market Cap (RM m)*	Types	Listing Date
1	Amanah Harta Tanah PNB	102	Office/Commercial	20 March 1989
2	Axis REIT	1639	Diversified	3 August 2005
3	YTL Hospitality REIT	1444	Hospitality	16 December 2005
4	UOA REIT	681	Office/Commercial	30 December 2005
5	Tower REITs	334	Office/Commercial	12 April 2006
6	Al-'Aqar Healthcare REIT	1056	Healthcare	10 August 2006
7	Hektar REIT	605	Retail	4 December 2006
8	AmFirst REITs	508	Office/Commercial	21 December 2006
9	MRCB-Quill	761	Office/Commercial	8 January 2007
10	Atrium REITs	132	Logistics/Industrial	2 April 2007
11	Sunway REIT	4706	Diversified	8 July 2010
12	CapitaLand Malaysia Mall Trust	2956	Retail	16 July 2010
13	Pavilion REIT	5345	Retail	7 December 2011
14	IGB REIT	5251	Retail	21 September 2012
15	KLCCP Stapled Group	12,710	Diversified	9 May 2013
16	Al-Salām REIT	563	Diversified	29 September 2015
	Total	38,790		

(Source: Bloomberg Data)

Similarly, the highest gross revenue for 2016 was reigned by KLCCP REIT albeit a moderate movement of gross revenue throughout the 4 year-period with the minimum value recorded at RM393,473 million in 2013, and continue to increase until 2015 at RM594,791 million, before slightly decreased in 2016 at RM591,015 million due to modest pace of economic growth domestically and the aftermath effects of implementation of Goods and Services Tax (GST) (KLCC REIT Annual Report, 2016). This is followed by Axis REIT which shows a good projection; given by its five years of duration performance, the value had been constantly increasing with the highest recorded in year 2016 at RM166,685 million, compared in 2012 when the value was just at RM132,673 million (Axis REIT Annual Report, 2016). Besides, for Al-'Aqar REIT, the best performance for their gross revenue was recorded in 2015, when they reached its highest peak out of five years with RM110.9 million in revenue, followed by 2014 with RM108.6 million, 2013 with RM107.4 million and both years of 2012 and

2016 at a quite same level which were around RM103.5 million. The decrease of revenue in 2016 were contributed mainly due to realisation of foreign exchange loss differences from disposal of subsidiaries of RM3.5 million in 2015 and a higher in professional fees expenses of RM2 million in 2015 compared to 2016 (Al-'Aqar REIT Annual Report, 2016).

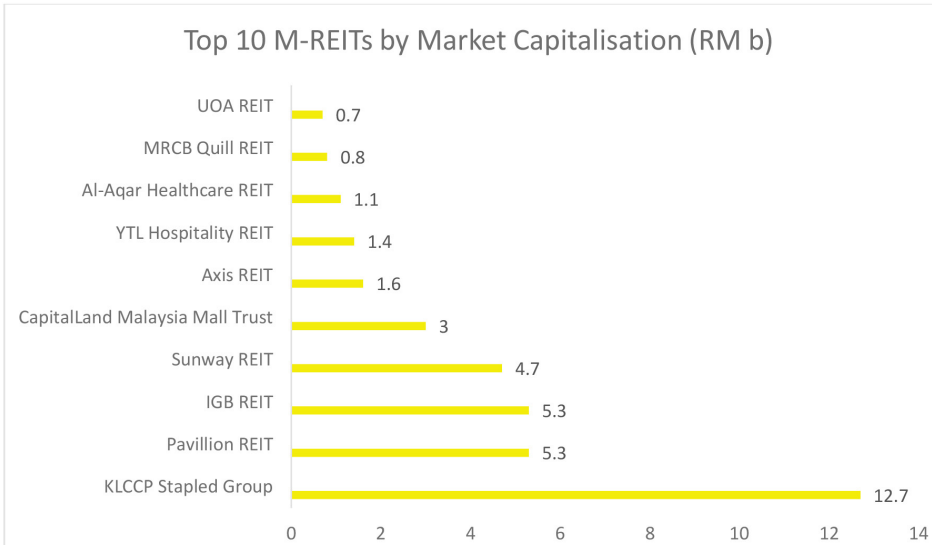


Figure 3. Top 10 M-REITs by market cap (RM b) (Source: MIDF, 2016)

Following the gross revenue performance, the NAV of KLCC REIT shows a progressive trend over the years as there were consistently increasing as shown in the value of 2013 which accounted at RM4.12, then RM4.19 in 2014. NAV improved from RM4.31 per unit as at 31 December 2015 to RM4.38 per unit as at year end of 2016, after taking into account the fair value adjustments of RM79.5 million (KLCC REIT Annual Report, 2016). As for Axis REIT, the NAV value was recorded with a constant projection with year 2012 at RM2.17 until 2014 at RM2.42, before it experienced a sudden fall in 2015 at RM1.22 and remain at a slow progression in 2016 at RM1.26 (Axis REIT Annual Report, 2016). It is also noteworthy to mention that Al-'Aqar REIT shows an escalation at the steady rate with 2016 marked the highest value, at RM1.2305 compared to the previous trailing years; which is quite interesting as it was rather opposite with the trend of its gross revenue which accorded at its lowest form in 2016. This was seen as attributed by an increase of 0.8% in NAV per unit arising from the profit recorded for the year 2016 at RM64 million and payment of final income distribution in 2015 at RM18.4 million as well as interim income distribution for year 2016 which amounted at RM28.4 million (Al-'Aqar REIT Annual Report, 2016).

Finally, even though the value of DPU for KLCPP REIT was recorded as the highest among other iREITs, nonetheless, despite a good trend shown in NAV, the pattern of DPU shows a different case. It could be seen in 2014, the value had spiked almost 6 sen from 2013 then continue with gradual pattern in the following years. Despite a slower growth in overall performance, the KLCC REIT’s commitment to enhance value through accretion in distribution for the unit holders however is remain sustained. Based on that conviction, KLCC REIT distributed 100% of their total income for distribution for financial year 2016, as consistent as 2015, which gives their DPU value at 22.78 sen, exceeding the DPU of 21.68 sen in 2015 (KLCC REIT Annual Report, 2016). Similar to the trend of NAV, the trend of DPU for Axis REIT shows a big drop in 2015 at 8.40 sen, continue to fall a little bit in 2016 at 8.25 sen, tracing back from a strong value at 19.75 sen in 2014. Looking at the two values, it could be led to a similar junction where year 2015 alone shows a great dip, either for NAV or DPU, probably accrued by uncertain economic outlook and market volatility or might be linked to the implementation of GST set on that year (Axis REIT Annual Report, 2016). Nevertheless, a good merit should be given to Al-Salām REIT that shows a robust growth in DPU in just in a nick of time with a sharp spike recorded in 2016; a leap of 4.80 sen to 6.00 sen compared to its initial value recorded in 2015, which was at 1.80 sen (Al-Salām REIT Annual Report, 2016).

A summary of iREITs profile in Malaysia is shown in Table 5, whereas further depiction of finding can be seen in Table 6 and Figure 4.

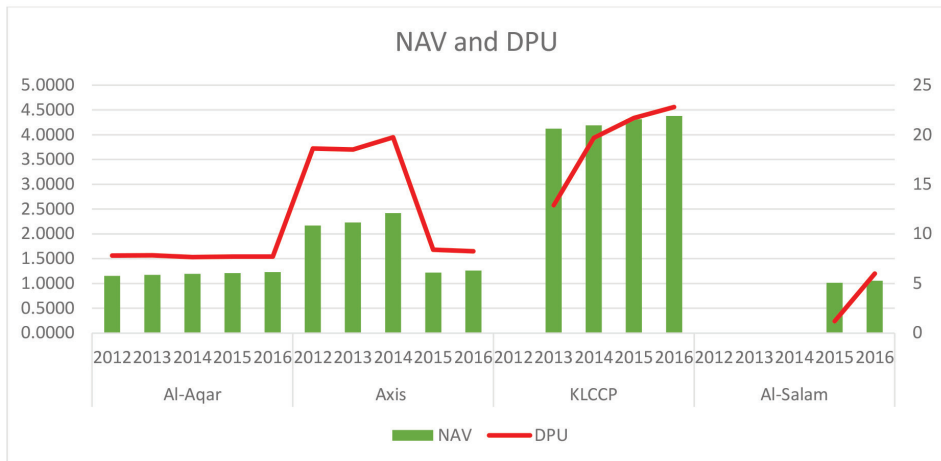


Figure 4: NAV and DPU of iREITs in Malaysia

Table 5
Description of iREITs in Malaysia

REIT	Date of listed	Managed by	Trivia	Geographical distribution of asset	Gross revenue	Asset	NAV	DPU
Axis	3 August 2005	Axis REIT Managers Berhad	Malaysia's first and largest Islamic business space and industrial REIT	39 properties that are located in the Klang Valley, Johor, Penang, Negeri Sembilan and Kedah	The gross revenue show the highest recorded in year 2016 at RM166,685 million	5 properties with a total asset size of RM296.0 million in 2005, currently Axis REIT have 39 properties worth RM2.2 billion	In 2012 at RM2.17 until 2014 at RM2.42, a sudden fall in 2015 at RM1.22 and remain at a slow progression in 2016 at RM1.26	A big drop in 2015 at 8.40 sen, increased a little bit in 2016 at 8.25 sen, declining from 19.75 sen in 2014
Al-Aqar	10 August 2006	Damansara REIT Managers Sdn Berhad a wholly-owned subsidiary of Johor Corporation (JCorp) and supported by KPI Healthcare Berhad (KPI)	The world's first listed Islamic REIT, Asia's first Islamic Healthcare REIT	Initial portfolio of 6 properties to 23 comprising 19 hospitals and 4 healthcare-related properties in Malaysia and Australia	Year 2015 mark the highest peak at RM110.9 million in revenue, followed by 2014 with RM108.6 million, 2013 with RM107.4 million, 2012 and 2016 at a same level around RM103.5 million	As at 31 December 2016, Al-Aqar asset size stood at RM1.61 billion with a market capitalisation of RM1.14 billion	2016 marked the highest value at RM1.2305 compared to the previous trailing years	Average DPU of about 7.70 sen over past 10 years

(continued on next page)

Table 5 (continued)

REIT	Date of listed	Managed by	Trivia	Geographical distribution of asset	Gross revenue	Asset	NAV	DPU
KLCCP	9 May 2013	KLCC REIT Management Sdn Bhd	The office buildings held by the subsidiaries of KLCCP namely PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS	Suria KLCC (a leading shopping mall) and Mandarin Oriental, Kuala Lumpur (a luxury hotel). KLCCP also has 33% interest in Menara Maxis. Outside the KLCC Development, KLCCP owns Kompleks Dayabumi which is located within the older central commercial area of Kuala Lumpur	Minimum value at RM393,473 million in 2013, continue to increase until 2015 at RM594,791 million, slightly decreased in 2016 at RM591,015 million	As at 31 December 2016, the assets exceeded RM17 billion with market capitalisation hitting the RM4.31 at 31 December 2015 to RM4.38 per unit as at year end of 2016	In 2013 at RM4.12, then RM4.19 in 2014. NAV improved from RM4.31 at 31 December 2015 to RM4.38 per unit as at year end of 2016	In 2014, spiked almost 6 sen from 2013 then continue with gradual pattern. In 2016, as consistent as 2015, gives the DPU value at 22.78 sen, exceeding the DPU of 21.68 sen in 2015
Al-Salām	29 September 2015	Damansara REIT Managers Sdn Bhd (same with Al-Aqar)	Diversified Islamic REIT in Malaysia	Include retail, office, food and beverage (F&B). The fund's property portfolio includes KOMTAR JBCC, Menara KOMTAR, @Mart Kempas, 22 KFC and Pizza Hut Restaurant outlets, 5 non-restaurant properties and a college building	Gross revenue with year 2016 recorded a value of RM76,135 million, more than three times of the year 2015 which was at RM20,665 million	Initial fund size of RM580 million with a total property value of RM911.4 million. As at 31 December 2016, their property value has increased to RM922.1 million	In 2016 at 1.0551 prior to its founding year in 2015 at RMT1.0126	In 2015 at 1.80 sen to 6.00 sen in 2016

Table 6
NAV and DPU for iREITs in Malaysia

iREITs		2012	2013	2014	2015	2016
Al-Aqar	NAV (RM)	1.1500	1.1704	1.1944	1.2082	1.2305
	DPU (sen)	7.80	7.85	7.65	7.70	7.70
Axis	NAV (RM)	2.17	2.23	2.42	1.22	1.26
	DPU (sen)	18.60	18.50	19.75	8.4	8.25
KLCCP	NAV (RM)	-	4.12	4.19	4.31	4.38
	DPU (sen)	-	12.89	19.68	21.68	22.78
Al-Salam	NAV (RM)	-	-	-	1.0126	1.0551
	DPU (sen)	-	-	-	1.20	0.60

(Source: iREITs' Annual Reports, 2012–2016)

Table 7
Market indicators for MREITs

MREITs	ROE (%)	ROA (%)	Gross Dividend Yield (%)	Debt/ Cap (%)	Book Value per Share (RM)
Amanah Harta Tanah PNB	7.84	5.76	7.00	26.40	1.60
Al-'Aqar Healthcare REIT	8.97	4.54	5.27	46.04	1.17
Al-Salām REIT	N/A	N/A	1.22	37.73	N/A
AmFirst REITs	3.48	2.09	6.04	35.86	1.21
Atrium REITs	9.03	6.43	7.64	24.97	1.42
Axis REIT	7.21	4.57	5.53	34.17	1.23
CapitalLand Malaysia Mall Trust (CMMT)	9.11	6.03	5.85	30.75	1.32
Hektar REIT	0.79	0.43	6.95	44.27	1.46
IGB REIT	6.93	4.92	5.35	23.85	1.06
KLCCP Stapled Group	4.42	3.16	4.91	14.60	6.95
MRCB-Quill REIT	8.40	4.87	5.78	42.44	1.37
Pavilion REIT	7.37	6.01	4.70	15.88	1.28
Sunway REIT	14.31	8.95	5.54	33.31	1.36
Tower REITs	4.78	4.15	5.87	0.02	1.94
UOA REIT	16.53	10.00	6.80	35.41	1.65
YTL Hospitality REIT	2.08	1.05	7.64	45.61	1.41

(Source: Bloomberg, MIDF, 2016)

On the other hand, as per shown in Table 7, when looking at the performances of iREITs with other REITs in Malaysia, it is shown that their market indicators perform rather competitively. Apart of the debt per capital ratio that were quite high (except for KLCCP Stapled Group), other values like ROE and ROA were as robust as other REITs, especially for Al-Aqar Healthcare REIT and Axis REIT. Nonetheless, it is undeniable that conventional REITs performed better in most market indicators with Atrium REITs, MRCB-Quill REIT, Pavilion REIT, Sunway REIT, Amanah Harta Tanah PNB, CapitalLand Malaysia Mall Trust (CMMT) and UOA REIT had shown the most profitable yields while others like Tower REITs and AmFirst REITs had given a relatively good outcome for their investment portfolios.

DISCUSSION

Based on the findings, the overall performance of iREITs in Malaysia can be considered as stable and solid despite several setbacks happened throughout of the period. Most of the financial performance of iREITs are reported in 5-year period except for Al-Salām REIT which was officially launched at the later period, hence it is covered only for two years, 2015 and 2016.

Similarly, REITs in Malaysia has been seen as profitable due to its capability to generate long term capital appreciation. Since the first listing of REITs in Malaysia in 2005, MREITs have been generated eight positive annual returns in the past 10 years, with six double-digit positive returns, suggesting MREITs provides stable capital appreciation in addition to dividend yield which typically ranging below 7%. This suggests that MREITs remain a viable investment for investors who sought stable assets not only for dividend yield but also for capital gains (MIDF, 2016).

In the context of defensiveness, MREITs were proved to be defensive during market correction and heightened market volatility in 2011 and 2014 by outperforming FBMKLCI. MREITs remained in positive territory in 2011 and 2014 during volatile stock market. Meanwhile, MREITs posted milder loss than FBMKLCI during the U.S. subprime mortgage crisis in 2008. It suggests that MREITs remain defensive investment selections for investors during volatile market (Cheung, Chung, & Fung, 2015). Besides, findings from MIDF (2016) suggest that performance of MREITs is positively correlated with the real estate market in Malaysia. Hence, it suggests that investors could consider invest in MREITs in the time of booming real estate market in Malaysia as MREITs tends to outperform market during bullish real estate market. On different connotation,

several factors affecting the performance of iREITs involving several markets are discussed as below.

Office Market

The office market continued to labour under the weight of continuing high supply completions and moderate net absorption rate, with no short term expectation of a quick recovery in sight. Total supply of office space stood at 78.5 million sq ft as of 2016, following the completion of 2.5 million sq ft during the year, a decline of 40% from the 4.2 million sq ft completed in 2015 (KLCC REIT Annual Report, 2016).

With higher absorption of 2.85 million sq ft in 2016 (2015: 1.76 million sq ft), vacancy rate marginally decreased to 18% (2015: 19%). This relatively high average vacancy figure reflected the overall poor health of the sector and is at least some 15 percentage point lower from what is considered to be a healthy market state (KLCC Annual Report, 2016). The sector has been rather badly affected by the end of the oil and gas sector boom during the second half of 2014 which saw the consolidation of companies as oil price fell to a low of USD25 per barrel from its peak of USD100+ in 2014 (Central Bank of Malaysia, 2015). With a growing reputation and its position as a regional oil hub, Kuala Lumpur office market suffered as result. The percentage of office occupancy rate in Kuala Lumpur is depicted in Figure 5.

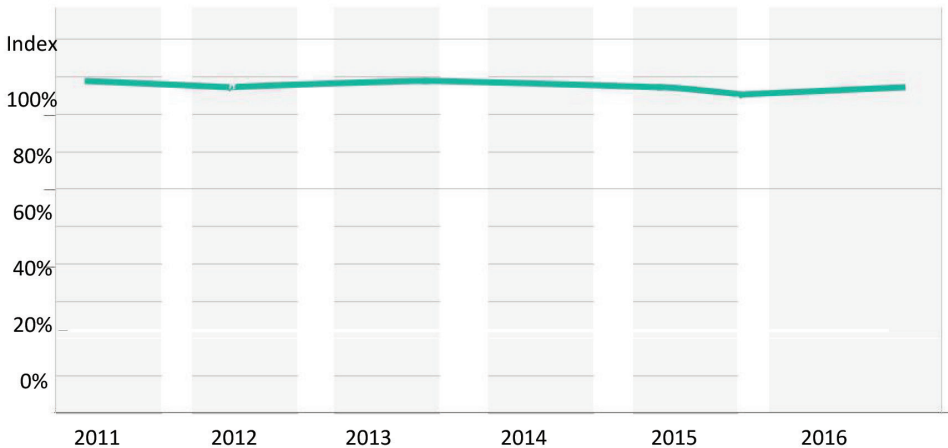


Figure 5: Office occupancy rate in Kuala Lumpur
(Source: NTL Research & Consulting, 2017)

Similarly, rental rate movement has been anaemic, and range bound, to say the least, since 2008. If it is any consolation, Kuala Lumpur office rent remains very competitive globally, coming up in the top 10 in terms of ranking from the bottom in most international surveys.

With GDP growth a shadow of its pre-1998 years and expected to marginally only improve to 4.3% in 2017, it may take some time for the market to recover to match pending new supply whether this take the form of offering competitive rentals to retaining existing tenants, or generous rent free periods to capturing new tenants to build up occupancy for the newer buildings (KLCC REIT Annual Report, 2016).

Retail Market

It is also interesting to note that the retail sector was beset by the continuing impact of GST on households since its implementation in April 2015¹, there was an increasing cost of living especially in urban areas as a result of the imposition of the consumption tax and the removal of subsidies by the Government.

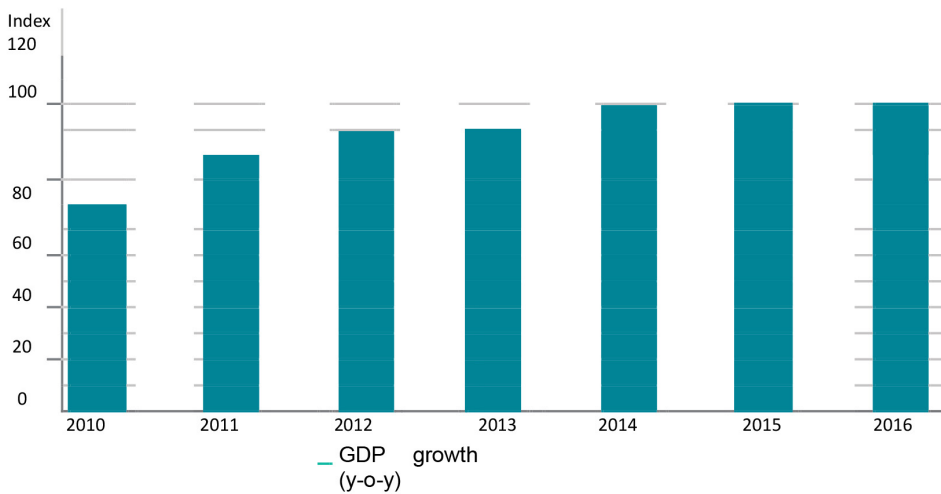


Figure 6: Malaysia Annual Retail Sales, (RM billion)
(Source: KLCC REIT Annual Reports)

Figure 7 projected the level of index for hotel stock in Kuala Lumpur. Several key constraints on the retail sale remain on the longer term, and these include growing income inequality, slow growth in workers’ productivity and its impact on salary growth, high household debt to GDP ratio of 89% which is partially due to high cost of housing, and limited availability of skilled and

talented workers to climb up the value chain and attract new investments that will provide high value jobs (Central Bank of Malaysia, 2016).

Hotel Market

Tourist arrivals in Malaysia have declined from its 2014 peak with 27.4 million to 25.7 million in 2015, despite the weakened Ringgit. However, the period between January and October 2016 showed signs of recovery as Malaysia hosted 22.1 million tourists, 4.4% higher than the 21.1 million recorded during the corresponding period in 2015. For the full year 2016, tourist arrivals is projected as increased by 4%, bringing a total receipt of RM82.13 billion (KLCC REIT Annual Report, 2016).

In response to the slower economic growth and intensifying competition, many luxury hotels have embarked on aggressive marketing and promotion campaigns in a bid to maintain their market position (KLCC REIT Annual Report, 2016).

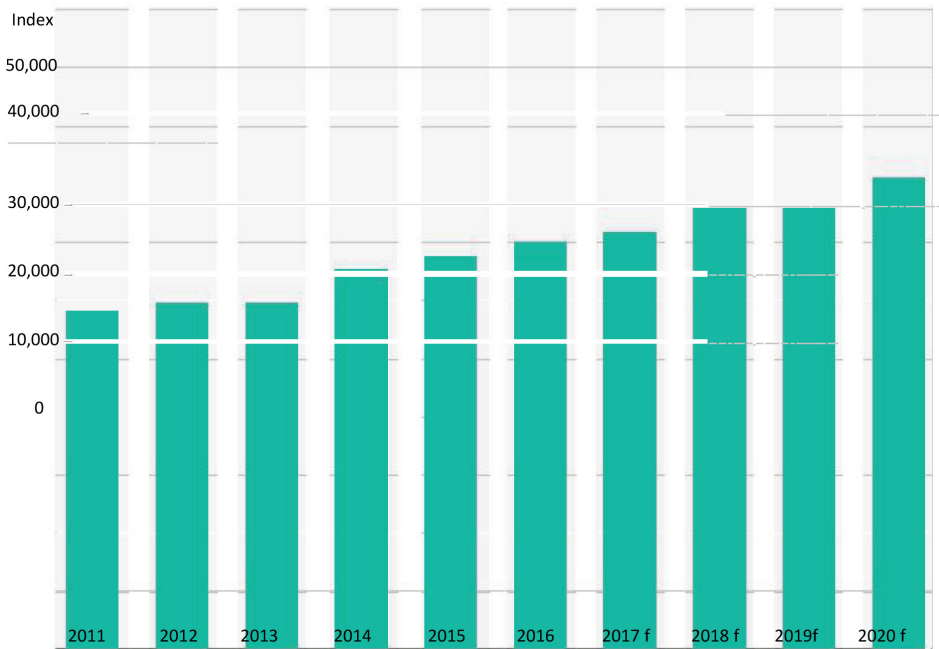


Figure 7: Hotel stock in Kuala Lumpur
(Source: NAPIC, 2016; NTL Research & Consulting, 2017)

Nevertheless, despite the concern on the prospect of oversupply, the outlook remains positive in the medium term, as the weakened Ringgit will strengthen Malaysia's position as an attractive regional destination. In addition, the government's effort in attracting multinational corporations (MNCs) to locate their regional hub in Kuala Lumpur will give rise to higher demand from business travellers. According to the Kuala Lumpur Tourism Master Plan 2015–2025, total number of hotel guests is projected to increase to 16 million in 2025, with a longer average length of stay of 5.5 days, compared to 3.1 days in 2013 (KLCC REIT Annual Report, 2016).

CONCLUSION

As previously mentioned, the iREITs instrument issued is backed by various quality underlying real estates and has performed steadily in terms of the income generated from rental income and capital gains (Cheung et al., 2015). It tends to pay out steady incomes (dividends), which are derived from existing rents paid by tenants who occupy the iREITs' properties. Even though there were certain backdrops of lacklustre global economic growth underpinned by weak global trade, persistent low energy and commodity prices, political and policy issues which posed uncertainties to the growth prospects like the lingering effects of weak consumer sentiment post implementation of Goods and Services Tax (GST) in 2015 and devaluation of currency in 2016; generally it can be concluded that iREITs will not be heavily affected by the current market scenario as its steady asset is not directly subjected to the volatility of the market and is stable in nature (Ripain & Ahmad, 2016).

Having said like that, still, there were some drawbacks inescapable coming in the way. For instance, the uncertainties on the global front, sharp downward adjustment in commodities and currency depreciation. Aggravated by continued challenges in the domestic economy, recent performances saw contracted demand in office spaces and tenure, cautious spending in the retail sector and reduced patronage in the hospitality business had impacted, at least for KLCC REIT.

Nevertheless, there is still so much confidence in iREITs that could be reap in the coming years. In the case of Al-'Aqar Healthcare REITs, for example, a portfolio of hospital buildings had a 100% guaranteed occupancy rate, while Axis REIT reigned as the largest Islamic business space and industrial REIT. Other funds that also specializing on industrial properties, office buildings and retail purposes are KLCC REIT; as well as Al-Salām REIT which is hailed for its F&B business. As abovementioned, establishment of iREITs is aims to provide new investment alternative to investors in order to diversify their portfolio as well

as to minimise risk. Because of that, it is expected that more contribution could be done to the development of Islamic capital market in Malaysia.

NOTE

1. The GST standard rate has been revised to 0% beginning the 1st of June 2018, pending the total removal of the Goods and Services Tax Act in parliament. GST was fully replaced with the Sales Tax and Service Tax starting 1 September 2018.

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