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ARROYO BILL REFORMING REAL PROPERTY VALUATION BACKED 1

Arroyo bill reforming real property valuation backed

The House of Representatives has backed a measure instituting reforms in real property valuation and assessment in the country, and reorganize the Bureau of Local Government Finance.

House Bill 8453, authored by Speaker Gloria Macapagal Arroyo, was approved on second reading before Congress goes on break last week.

The bill, which is expected to hurdle approval on third and final reading when Congress resumes session in November, proposes to institute reforms in real property valuation and assessment in the country and reorganize the Bureau of Local Government Finance.

The bill was sponsored on the floor by Committee on Government Reorganization Chairman Mariano Michael Velarde, Jr. Buhay party-list. Prior to the floor sponsorship, the House Committee on Appropriations, in a hearing presided by Vice Chairperson Ma. Carmen Zamora of Compostela Valley endorsed the bill without amendment.

In her explanatory note of the bill, Arroyo said the bill will allow the country to move toward a more rational administration and management system that fully taps the potential of the real property sector.

“In turn, the capacity of the government to generate more revenues is enhanced, without necessarily imposing new tax measures or increasing existing tax rates. The bill will enable the LGUs to achieve a more stable fiscal wherewithal and a strengthened local real property tax base to fund service delivery requirements of the LGUs, thereby achieving good and transparent governance, and increased public performance,” said Arroyo.

Arroyo said a World Bank report cited that 50 percent to 75 percent of the country’s wealth is contained in the land. Ironically, the land marketing is contributing only six percent to the Gross National Product (GNP).

“Characterized by inconsistencies and inefficiencies in the land administration and management sector, our country has failed to capture and maximize the huge potential that the land sector offers. The real property valuation system in the country depicts a depressing state of chaotic, inefficient, and inequitable layers of bureaucracy,” said Arroyo.

She said at least 23 national government agencies (NGAs) and more than 1,700 local government units (LGUs) perform or require valuation functions and services using varied systems and methodologies for different purposes, thus, resulting in multiple, confusing, unrealistic or outdated values for the same property.

“The discrepancies in real property values have had considerable cost to the government. Conflicting land values resulted in right-of-way compensation problems; lengthy court litigations arising from valuation disputes, project delays, and unrealized revenues and socio-economic benefits. The system also caused huge disparities of taxable base for local and national taxation,

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and revenue leakages due to the absence of a single market-based valuation for capital gains tax and other national land-related taxes, while the LGUs use the Schedule of Market Values (SMV) as basis for real property tax,” Arroyo added. Valuation, also known as appraisal, is referred to in the bill as the “systematic, analytic and logical analysis of the recording of property facts, circumstances, investments and other relevant data resulting in a supportable estimate or professional opinion of the value of the property as of specific date and for a specific purpose.”

The bill declares it is the policy of the State to promote the development and maintenance of a just, equitable, impartial and nationally consistent real property valuation based on internationally accepted valuation standards, concepts, principles and practices.

Towards this end, the State shall : 1) establish and maintain standards to govern the valuation of real property in the country; adopt market value as the single real property valuation base for the assessment of real property related taxes in the country, and for the valuation or appraisal of real property for various transactions by all government agencies; 3) promote the fiscal autonomy of local governments to provide basic services to their constituency by enhancing their capacity to generate local revenues from real property; 4) support the function of valuation and appraisal of real properties from the functions of tax policy and the administration of the taxes due thereon; and 5) ensure transparency in real property transactions to protect public interest and develop confidence in the valuation system.

The bill further provides that the Bureau of Local Government Finance (BLGF) of the Department of Finance (DOF) shall lead and manage the implementation of the provisions of the Act. The BLGF shall develop, adopt and maintain valuation standards which shall be used by all appraisers and assessors in the LGUs and other concerned parties in the appraisal or valuation of lands, buildings, machinery and other real properties for taxation and other purposes.

The valuation standard shall conform with the generally accepted international valuation standards and principles.

The BLGF Executive Director shall be responsible for the daily performance of the responsibilities set forth in the Act.

The bill also provides for the creation of Central and Regional Consultative Committees, and BLGF Regional Offices. It also mandates the development of valuation standards, preparation, and updating of schedule of market values, setting of assessment levels and tax rates, conduct of capacity-building interventions, and development of real property market database.

Lastly, it provides for penalties for non-compliance with valuation standards, failure to prepare the schedule of market values, and delay in the review, approval and implementation of SMV and conduct of general revisions, among others.

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