



PHILLIPINES – March 2020

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REFORMING THE REAL PROPERTY VALUATION SYSTEM IN THE PHILIPPINES.....1

Reforming the real property valuation system in the Philippines

I wrote in my previous column the loopholes under the current real property valuation system in the Philippines, mainly due to the cumbersome determination of the fair market value of real properties. These concerns have been besetting our taxpayers and tax administrators alike for years.

Package 3 of the government’s tax reform program seeks to address these loopholes and aims to promote the development of a just, equitable, and efficient real property valuation system. The focal point of the proposal is consistent with the established 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.

Under Package 3, the government proposes to adopt international standards, rationalize the process of valuation, 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 of real property for various transactions in all government agencies. The tax reform, likewise, aims to promote the fiscal autonomy of local government units by enhancing their capacity to generate local revenues from real properties located within their respective jurisdictions. Also, the reform proposes to separate the function of valuation of real properties from the functions of tax policy formulation and the administration of the taxes due.

Another important reform to be introduced is the creation of a comprehensive and up-to-date electronic database of all real property transactions in the Philippines. The reform aims to support the development of an information database on valuation through continuing research and monitoring of new developments to upgrade the country’s valuation system on a par with global standards.

The Bureau of Local Government Finance of the Department of Finance shall be the core agency tasked to lead and manage the implementation of the proposed tax reform. Thus, the BLGF shall develop, adopt, and maintain valuation standards consistent with internationally accepted valuation standards, regulations and specifications for real property appraisal used for taxation and other purposes.

In coordination with the Bureau of Internal Revenue, the BLGF shall review and ensure that the schedule of market values, as prepared by the assessors, is compliant with real property valuation policies and standards, and recommend its approval to the secretary of Finance for local and national taxation, and other purposes.

The BLGF shall provide technical assistance on real property appraisal matters to government agencies and instrumentalities, and shall develop and maintain a comprehensive and up-to-date electronic database of real property transactions all over the country. To achieve the policies and objectives being proposed, a Real Property Valuation Service shall be established within the BLGF.

For valuation purposes, all real properties, whether taxable or exempt, shall be valued and appraised based on prevailing market values in the locality where the property is situated. The local assessors shall prepare the schedule of market values for

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the different classes of real property situated within their respective jurisdictions, pursuant to the valuation standards, rules and regulations and other specifications set by the Department of Finance.

And to ensure compliance with the proposed reforms, fines and other penalties, including imprisonment of up to a maximum of one year, shall be imposed on assessors and any government officials or employees who fail to faithfully comply with the provisions of the proposed law. This is in addition to the imposition of penalties under applicable existing laws, if warranted.

According to the data of the Department of Finance, the proposed reforms will increase local and national government revenues from real property transactions, without adopting new tax measures.

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