



PHILLIPINES – July 2021

CONTENTS

SENATE STARTS TACKLING REFORM BILLS ON PROPERTY VALUATION, ASSESSMENT	1
LGUS URGED TO SEIZE CHANCE OF GREATER AUTONOMY WITH PROPERTY VALUATION REFORM	2

Senate starts tackling reform bills on property valuation, assessment

THE Senate Committee on Ways and Means opened on Thursday deliberations on the third key plank of the multi-package tax reform program, this time focused on updating the real property valuation system to shore up revenue for both the national and local governments.

Senator Pia S. Cayetano, panel chairman, called the public hearing on Real Property Valuation and Assessment Reform in a bid to get stakeholders from both the government and the private sector, to review the issues bugging the system.

The updated system comprises Package 3 of the Duterte administration’s Comprehensive Tax Reform Program.

Summarizing the issues, she said, “this proposed reform package, which is part of the Comprehensive Tax Reform Package, is meant to address” the problems on real property valuation and assessment.

She then listed them as: rampant outdated valuations used for government purposes, especially for national and local taxation; cost overruns and foregone revenues due to local valuations used; multiple overlapping valuation of different government agencies; and absence of a comprehensive real property electronic database;

Package 3 proposes, among others, to adopt internationally accepted real property valuation standards and rationalize the process of valuation, establish a single valuation base for taxation, and for the LGU to continue to set, adjust and regulate tax rates and assessment levels.

“So, I wanted to emphasize this last point because in early 2019, when the entire package was presented—the initial concerns I received, because we did hear this in totality in passing—the early reactions were on the LGUs’ sense of control over this.”

“So, I am pointing that out, that based on Package 3, the LGU shall continue to set, adjust, and regulate tax rates and assessment levels.

Cayetano included in the panel’s agenda the following bills: Senate Bill 246 filed by Sen. Panfilo Lacson; Senate Bill 519 by Sen. Miguel Zubiri; Senate Bill 894 by Sen. Ramon Revilla Jr., and House Bill 4664.

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“So, basically, obviously, like any tax revenue measure, there are issues surrounding them, there are people who support and there are those who don’t,” said Cayetano.

“So, we will dive into the issues surrounding this topic, but basically, we want to start with hearing from the government on the administration side on why there is a need for this, why this is a priority and why we must take time to work on this in the remaining months that we have.”

LGUs urged to seize chance of greater autonomy with property valuation reform

THE REFORM of the real property valuation system will create new revenue sources for local government units and make them more autonomous by reducing their dependence on funding from the National Government, according to the Bureau of Local Government and Finance (BLGF).

BLGF Executive Director Niño Raymond B. Alvina made the statement before the Senate committees on Ways and Means, Local Government, and Finance which are considering three senate bills seeking to establish a standard valuation base for taxation.

Mr. Alvina noted that 60% of LGUs use outdated property valuations, adding that around 97 cities and 40 provinces are non-compliant with the requirement to revalue properties every three years.

When provinces use outdated Schedules of Market Values (SMVs), they forego up to P7.4 billion in real property taxes, Mr. Alvina said.

Cities miss out on about P23.077 in real property taxes when they use non-updated SMVs, he added.

“If fully enforced and properly administered, real property tax is a progressive and stable source of revenues to be shared with municipalities, barangays, and local school boards,” Mr. Alvina said.

He said real property taxes could generate as much as P30.5 billion in incremental revenue once the measure is approved.

“This reform would also ensure higher education fund collections. This will support the expanding needs and operations and demands of public schools in local government units (LGUs). We estimate that the increase in allocation for public school students, if this package three is realized, could potentially increase by 36%, which means more funds available for the public education sector,” he said.

Meanwhile, he allayed fears that the proposed measure will weaken the fiscal power of local governments.

Mr. Alvina said local authorities “would still be responsible for setting the values, the assessment, the imposition of tax rates and the preparation of annual budgets based on the projected revenues resulting from their decision in the assessment level and tax rate.”

“We want to emphasize that the measure will support local autonomy as we are helping the LGUs improve in key components in their property tax administration process,” he said. “Three of the four components in the overall property tax administration will remain part of the political function of the LGUs.”

“LGUs will continue to regulate and determine for themselves the tax rate and assessment levels, while the values are prepared by the assessors, subject to compliance review and then approved by the secretary of finance.”

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The proposed measure is one of the last two packages of the administration's comprehensive tax reform program.

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