



CREBA

Chamber of Real Estate & Builders' Associations, Inc.

3/F CREBA Center Don Alejandro Roces Avenue cor. South A Street, Quezon City, PHILIPPINES 1103

Telephone: +632 8373 2270 to 75 * Fax: +632 8373 2271 * Email: creba_national@yahoo.com

WEBSITE: www.creba.ph

CREBA SPEAKS



Reforming PH Property Valuation

December, 2019

By: **Mr. Charlie A. V. Gorayeb**
CREBA, National Chairman

The Chamber of Real Estate & Builders' Associations, Inc. (CREBA) welcomes the proposed Property Valuation Reform Bill, or Package 3 of the Comprehensive Tax Reform Program (CTRP) for seeking to introduce reforms in real property valuation and assessment, reorganizing in the process, the Bureau of Local Government Finance (BLGF) under the finance department.

As a group composed of most of the country's property industry stakeholders, CREBA regards land and housing development as a catalyst for economic and social progress. Hence, the need to reform the current system of real property valuation to do away with multiple, overlapping, and outdated valuations.



Our current valuation system complicates government assessment and taxation and raises discrepancies that result in right-of-way compensation problems and lengthy valuation, both of which hamper the speedy and efficient construction of infrastructure projects.

House Bill No. 4664 is a timely opportunity to overhaul the current formulation system of the schedule of market values which has, for many years, been prone to compromise and corruption and wanting of direct participation by the private sector and professionals with the requisite technical know-how and training.

For one, the BLGF must be given full powers and authority to appoint technically-competent local assessors to the various LGUs, who shall then prepare the SMV for review and endorsement of the Regional Valuation Board with four (4) representatives from government composed of the BLGF chief and regional officials from BIR, DENR and the assessors group; and three (3) from the private sector representing the appraisers, bankers and real estate business associations.

Property owners have also long been complaining of inaccurate classification of raw lands as opposed to residential, commercial, industrial or other higher value uses in the BIR zonal valuation schedule. The zonal value of these raw lands ends up being set higher than actual market price which impose unfair tax burdens and conflicts in land transactions.



To correct this, the valuation reform bill must specify that land parcels shall be classified based on their current actual use, where “raw, undeveloped and under-developed lands which have potentials for development into other productive uses less than 5,000 square meters” are considered of “general purpose” and valued lower than other land classifications.

Understandably, one of the main objectives for reforming our valuation system is to increase local real property tax collection to increase LGU revenues and enhance their self-sufficiency.

But the current uncontrolled practice of some LGUs to impose sudden RPT increases to leaps and bounds -- some at 500%, the others to as much as 5,000% -- to fund local initiatives which they would, of course, want done during their terms of office, is already confiscatory, heavily detrimental to home owners and carries adverse trickle-down effects on property markets and the economy, considering that only 37% of LGUs have updated SMVs.

To temper this, CREBA urged our lawmakers to include a provision in the bill that will cap RPT increases to a more reasonable level of either 30% from the previous assessment or via a formula based on current inflationary factors.

It cannot be gainsaid that tax collection must be improved, especially in the provinces. Hence, more severe penalties must be imposed on LGUS with



low collection efficiency rate. Tax amnesties or condonations must also be minimized or avoided to encourage or even compel business taxpayers and individual home owners to pay their taxes on time.

More importantly, there is a need to revise the Local Government Code to update the 1991 Fair Market Values schedule of residential and commercial buildings to current market values, and to update every three years using BSP average bank rates.

CREBA ultimately believes that sustaining public faith in real estate transactions, a core value manifested by the valuation reform, is essential to the industry's continuing progress. We aim to maintain an effective collaboration with the government and other stakeholders towards the formulation of programs and policies that would foster national development. #