DEPARTMENT OF FINANCE
BUREAU OF LOCAL GOVERNMENT FINANCE
Improving Local Finance, Empowering Local Governments towards Sustainability

COMPREHENSIVE TAX REFORM PROGRAM

Real Property Valuation and Assessment Reform Act (RPVARA)

(Republic Act No. 12001)

An Act Instituting Reforms in Real Property Valuation and Assessment in the Philippines, Reorganizing the Bureau of Local Government Finance Granting of Tax Amnesty on Real Property and Special Levies on Real Property, and Appropriating Funds Therefor

WHAT IS WRONG WITH THE CURRENT SYSTEM?

- **Outdated valuations used for governmental purposes**, especially for national and local taxation; LGUs comingle valuation with taxation
- **Multiple valuations** resulting in wide disparities in values: there are as many values as there are valuing agencies
- **Outdated valuations result in costs, foregone revenues**: overvaluation when government pays, undervaluation when government collects taxes
- **No single agency responsible** for ensuring that valuations/ revaluations are completed in accordance with standards
- **Absence of a comprehensive real property electronic database** to capture transactions and support regular property re-valuations

RPVARA aims to:

1 - Establish and maintain standards based on Philippine Valuation Standards in compliance with international valuation standards

2 - Adopt single valuation base for taxation; as benchmark for other purposes

3 - Comprehensive and up-to-date electronic database; Promote the use of Innovative digital technology

4 - Separate the function of valuation and taxation

5 - Promote the fiscal autonomy

6 - Ensure transparency in real property transactions

- Prepared by Assessor
- Approved by and Department of Finance (DOF) based on the standards

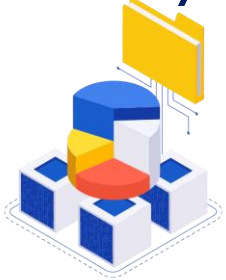
Under RA 12001 (RPVARA)

Approved by Local Council (Sanggunian)

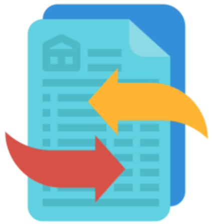
Schedule of Fair Market Value × Assessment Level × Tax Rate = Tax Due

Development of Real Property Information System

The Bureau of Local Government Finance shall develop and maintain an up-to-date electronic database of the sale, exchange, lease, mortgage, donation, transfer and all other real property transactions and declarations in the country.



Duty of Register of Deeds to Supply Assessors with Real Property Transactions Data



Transmission of Real Property Transactions Data to the BLGF

Real Property in the Philippines

- Real property as major resource and potentially biggest source of own-revenues of LGUs
- According to The World Bank: 50% to 75% of the national wealth contained in real properties
- De Soto, in The Mystery of Capital, 2000, estimated that:
    - *60% of the country's properties is dead capital amounting to US$133 B*
    - *57% of city dwellers and 67% of rural residents in the Philippines live in housing that is dead capital*
- In 2000, the Inter-Agency Coordinating Committee recommended key structural reforms

While Local Government Units focus on their political functions, RPVARA will ensure that the Schedule of Market Values (SMVs) are reliable and in accordance with internationally accepted valuation standards.

TECHNICAL FUNCTION ⇔ POLITICAL FUNCTION

VALUATION

Updated property values do not mean higher taxes as LGUs are empowered to adjust the assessment level and tax rate.

ASSESSMENT LEVEL

Maximum levels (percent of SMV)

- Residential = 20
- Agricultural = 40
- Commercial = 50
- Industrial = 50
- Mineral = 50

TAX RATE

Basic Tax

Maximum levels (percent)

- Provinces and municipalities = 1
- Cities = 2
- Special educational fund (SEF) = 1

BUDGET

ANNUAL