

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Eighteenth Congress
First Regular Session



305
HOUSE BILL NO. _____

Introduced by Representative JOEY SARTE SALCEDA

**AN ACT
INSTITUTING REFORMS IN REAL PROPERTY VALUATION AND
ASSESSMENT IN THE PHILIPPINES, REORGANIZING THE
BUREAU OF LOCAL GOVERNMENT FINANCE,
AND APPROPRIATING FUNDS THEREFOR**

EXPLANATORY NOTE

**REAL PROPERTY TAX UNDER THE
LOCAL GOVERNMENT CODE OF 1991**

In line with the principle of fiscal autonomy The Local Government Code of 1991 (LGC) grants each local government unit (LGU) the power to create its own sources of revenue and to levy taxes, fees, and charges. This is to enable the LGUs to become self-reliant and perform their role as development partners of the national government. As explicitly stated in the Declaration of Policy of RA7160, the intent is to ensure "that the territorial and political subdivisions of the State shall enjoy genuine and meaningful local autonomy to enable them to attain their fullest development as self-reliant communities and make them more effective partners in the attainment of national goals." and to "provide for a more responsive and accountable local government structure instituted through a system of decentralization whereby local government units shall be given more powers, authority, responsibilities, and resources." (Section 2). To further empower the LGU, the LGC devolves, within specified limits, the functions and responsibilities of the national agencies and offices. Correspondingly, the LGUs were allotted an automatic share of national tax revenues, mostly derived from the Internal Revenue Allocation or IRA which represents the share of local government units from the proceeds of national taxes. Under the LGC, LGUs are also allowed to draw taxes from a variety of local sources, including business taxes, amusement taxes, and annual community tax, among others. However, with the exception of business tax and real property tax, the other local sources do not have a broad base and/or carry minimal rates, such that they contribute minimally to locally generated revenues. Majority of LGUs rely mainly on business tax and taxes on real property for local revenue generation. The current rate for real property tax for the province is set at a rate not exceeding

1% of the assessed value of the real property while the rate is at 2% for the city or municipality within Metropolitan Manila Area.

According to the Asian Development Bank (ADB),¹ in 2007, collection efficiency of real property tax was only 27% in provinces and 68% in cities. This poor collection efficiency severely hampers the LGUs' ability to raise revenue from real property taxes and correspondingly constrains their capacity to provide the necessary wherewithal for constituency welfare. This dismal figure is in fact validates the percentage revealed in an earlier study by Milwida M. Guevara, et al,² which pegged the effective tax rate or the ratio of the actual collection to the tax base, or the assessed value at an estimated 0.75 percent compared to a statutory rate of one percent (1.0%) for provinces and two percent (2.0%) for cities. If tax collection were related to market values, the ETR dips to 0.067 percent implying that the realty tax paid by taxpayers is only P0.07 for every P100.00 of market value.

ISSUES ON THE CURRENT PROPERTY VALUATION AND ASSESSMENT SYSTEM

The low revenue collection of real property tax may be attributed to a number of factors.

First. The lack of unified national standards and methods for valuation have led to diversified and often conflicting valuation methodologies resulting in distorted real property values. As a matter of practice, the Assessor's office of each LGU prepares schedules of fair market values and assessment levels. However, the formulation by the Assessor's office is merely recommendatory as the local legislature or Sanggunian is charged with enacting all tax ordinances for fair market value, assessment levels, and rates to be applied. Given the number of LGUs all throughout the country we can say that there are as many real property valuations as there are LGUs. Added to these are the varying valuation methods also utilized by various national agencies such as the BIR, acquisition, disposition or rentals of public lands (DENR), acquisition, disposition or rentals of real property (HUDCC, NHA, HGC), expropriation of private property (DPWH, NAPOCOR), litigation and garnishment proceedings (LRA, RD) and registration and extraction of fees (LRA, RD) and a host of other national agencies. This hodgepodge of valuation arms using a plethora of varying valuation and assessment methods has resulted in, inequitable, disparate, confusing, conflicting and often graft prone valuation systems, politicized application of tax rates, which all adversely impact on revenue collections from the real property tax.

Second. The current valuation system is also susceptible to tax evasion by unscrupulous taxpayers who, through misdeclaration, misclassification and other underhanded means, either diminish or increase the value of the real property, depending on his purpose, resulting in lower tax collection, often in cahoots with the tax personnel. Thus, he can undervalue the property for taxation purposes but overvalue the same when sold to the detriment of the public.

¹ Republic of the Philippines: Support to Local Government Revenue Generation and Land Administration Reforms
(Financed by the Japan Fund for Poverty Reduction) May 2011

² Milwida M. Guevara, Joyce P. Gracia and Ma. Victoria C. Espano, "A Study of the Performance and Cost Effectiveness of the Real Property Tax" July 15, 1994.

Third. Poor compliance with the LGC mandate to conduct a general revision of property assessments and classifications for real property tax purposes. In a letter-response to the query by the Philippine Star in 2011, the Bureau of Local Government Finance-DOF revealed that as of the last general revision in 2008, only 28% of the cities in the country have revised their SMVs.³ In fact, there are even a number of LGUs whose SMVs are based on values going back to 1993 when the law was first implemented. This, at the very least, is revealing considering that the use of outdated SMVs create inequity among taxpayers if used for tax purposes.

Finally. The absence a complete and updated roll of real properties contained in a computerized database that truly reflect an accurate and current valuation of the property listing is not conducive to transparency and ready accessibility of relevant data to all concerned parties.

SALIENT FEATURES OF PROPOSED BILL

As its declared policy objective, the proposed bill seeks development and maintenance of a just, equitable, impartial, and nationally consistent real property valuation based on internationally accepted valuation standards. In order to achieve this objective, the proposed bill shall, inter alia:

- (a) Establish and maintain valuation standards to govern the valuation of real property in the country;
- (b) Provide a comprehensive and up-to-date electronic database of all real property transactions;
- (c) Ensure transparency in real property transactions to protect the public and develop confidence in the work of appraisers and assessors.

Under the proposed set-up, the Bureau of Local Government Finance (BLGF), through the Real Property Valuation Service (RPVS) shall lead and manage the implementation of the provisions of the proposed bill vested, among others with the development, adoption, and maintenance of valuation standards consistent with generally accepted valuation standards, regulations and specifications for real property appraisal used for tax and other purposes. It shall ensure compliance therewith by local government units and other concerned parties. One important feature of the proposed bill is the development and maintenance by the BLGF of an up-to-date electronic database of the sale, exchange, lease, mortgage, donation and all other real property transactions in the country and on the cost of construction or renovation of buildings and other structures, and on prices of machinery. This provision is projected to make available current and relevant data on real property for taxation purposes. The BLGF is headed by an Executive Director charged, among others, with the development and implementation of the policies, plans, and programs of the Bureau.

A Central Consultative Committee shall likewise be created which, as stated herein, shall serve as the consultative forum on matters pertaining to the setting, adoption and maintenance of the valuation standards. A Regional Consultative Committee shall also be established every region performing essentially the same task on a regional level as Central

³ Retrieved from <http://jmc.blgf.gov.ph/downloads/LettertoAttySison.pdf>

Consultative Committee. The BLGF Regional Offices, through the Regional Director, shall be responsible for all matters relating to valuation or appraisal and the SMVs in the region.

Under the proposed bill, the BLGF is tasked to develop and implement uniform valuation standards which shall be used by all appraisers and assessors in the local government units and other concerned parties in appraising or valuing lands, buildings, machinery and other real properties for taxation and other purposes.

Other important features include a more specific delineation of the duties of certain tax related officers including the Register of Deeds, Official Issuing Building Permits or Certificates of Registration of Machinery, Geodetic Engineers, Assessors. It also provides for provisions on the appointment of a professional and qualified provincial, city, and municipal assessors and assistant assessors to ensure a qualified and suitable local revenue officer.

The proposed bill is designed to address the issues plaguing the current valuation and assessment system in the country, to maximize and optimize local revenue generation and ultimately, to achieve the avowed goal of the LGC to make LGUs become genuine partners towards national development and progress.

In view of the foregoing, the passage of this bill is earnestly sought



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*Be it enacted by the Senate and House of Representatives of the Philippines in
Congress assembled:*

SECTION 1. Short Title. – This Act shall be known as the “**Real Property Valuation
and Assessment Reform Act.**”

**ARTICLE I
DECLARATION OF STATE POLICY AND OBJECTIVES,
AND DEFINITION OF TERMS**

SEC. 2. Declaration of Policy and Objectives. – 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:

- (a) Establish and maintain standards to govern the valuation of real property in the country;
- (b) 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 by all government agencies;

- (c) Promote the fiscal autonomy of local government units to provide basic services to their constituency by enhancing their capacity to generate local revenues from real property;
- (d) Separate the function of valuation of real properties from the functions of tax policy formulation and the administration of the taxes due thereon;
- (e) Support the development and professionalization of the valuation practice in the country pursuant to Republic Act No. 9646, otherwise known as the “*Real Estate Service Act of the Philippines*”.
- (f) Provide a comprehensive and up-to-date electronic database of all real property transactions;
- (g) Support the development of an information database on valuation through continuing research and monitoring of new developments in the discipline to upgrade the country’s valuation system to be at par with global standards; and
- (h) Ensure transparency in real property transactions to protect public interest, and develop confidence in the valuation system.

SEC. 3. *Definition of Terms.* – As used in this Act:

- (a) *Appraiser* also known as valuer, refers to a person who conducts valuation; specifically, one who possesses the necessary qualifications, license, ability, and experience to execute or direct the valuation of real property;
- (b) *Assessed Value*, also known as taxable value, refers to the market value of the property multiplied by the corresponding assessment level;
- (c) *Assessment* refers to the act or process of determining the value of a property, or proportion thereof subject to taxation, including the discovery, listing, classification, and appraisal of properties;
- (d) *Assessment Level* refers to the percentage applied to the market value to determine the taxable value of the property based on property classifications as prescribed in Republic Act 7160, otherwise known as the *Local Government Code*, as amended;
- (e) *Assessor* refers to an official in the local government unit (LGU) who is a licensed appraiser and performs appraisal and assessment of real properties, including plant, machinery, and equipment, essentially for taxation and other purposes.
- (f) *Building* refers to a man-made structure permanently attached to land for residential, commercial, industrial, recreational or other purposes;

- (g) *Improvement* refers to a valuable addition made to a property or an amelioration in its condition, amounting to more than a mere repair or replacement of parts, involving capital expenditures and labor intended to enhance its value, beauty or utility or to adapt it for new or further purposes;
- (h) *International Valuation Standards* refer to standards that provide property valuers with a framework composed of recognized principles and concepts as well as internationally accepted definitions, best practices, and reporting system;
- (i) *Land* refers to one of the major factors of production which is supplied by nature without the aid of man. Land may include not only the earth's surface, both land and water, but also anything that is attached to the earth's surface including all natural resources in their original state, such as mineral deposits, wildlife, and timber;
- (j) *Machinery* refers to machines, equipment, mechanical contrivances, instruments, appliances or apparatus which may be attached, permanently or temporarily, to the real property. It includes the physical facilities for production, the installations and appurtenant service facilities, those which are mobile, self-powered or self-propelled, and those not permanently attached to the real property which are actually, directly, and exclusively used to meet the needs of the particular industry, business or activity and which by their very nature and purpose are designed for, or necessary to its manufacturing, mining, logging, commercial, industrial or agricultural purposes;
- (k) *Market value* refers to the estimated amount for which a property shall exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction which is a transaction between independent, unrelated parties involving no irregularity, after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion;
- (l) *Private appraisal sector* refers to licensed non-governmental real estate service practitioners who have been active in the practice of real estate appraisal for at least five (5) years;
- (m) *Real estate* refers to the land and all those items which are attached to the land. It is the physical, tangible entity, together with all the additions or improvements on, above or below the ground;

- (n) *Real property* refers to all the rights, interests and benefits related to the ownership of real estate. It is a legal concept distinct from real estate, which is a physical asset;
- (o) *Schedule of Market Values*, hereinafter referred to as SMV, refers to a table of base unit market values for all kinds of real property, except machinery within a local government unit prepared by assessors pursuant to existing laws, rules and regulations;
- (p) *Special purpose property* refers to a property that is designed, constructed and developed for a specific use or purpose. By its very nature, this type of property is rarely offered for sale in the open market except as part of a going concern. Due to the special design and the function, conversion of special purpose property to other types of development or application is generally not economically feasible; and
- (q) *Valuation*, also known as appraisal, refers to 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 a specific date and for a specific purpose.

ARTICLE II THE BUREAU OF LOCAL GOVERNMENT FINANCE (BLGF)

Chapter I – BLGF Central Operations

SEC. 4. Powers and Functions of the Bureau of Local Government Finance (BLGF). – The BLGF of the Department of Finance (DOF) shall lead and manage the implementation of the provisions of this Act. It shall have the following powers and functions:

- (a) Develop, adopt, and maintain valuation standards consistent with generally accepted international valuation standards, regulations, and specifications for real property appraisal used for taxation and other purposes, and ensure compliance therewith by Local Government Units and other concerned parties;
- (b) In coordination with the Bureau of Internal Revenue, review and ensure that the Schedule of Market Values (SMVs) as prepared by the provincial assessors together with municipal assessors, and city assessors, including the municipal assessors in the Metropolitan Manila area is compliant with real property

- valuation policies and standards, and recommend its approval to the Secretary of Finance for local and national taxation, and for other purposes;
- (c) Provide technical assistance on real property appraisal matters to government agencies and instrumentalities, and coordinate or conduct the valuation of special purpose property, when requested;
 - (d) Provide leadership and policy direction to LGUs on real property valuation for taxation and other purposes, including the development and maintenance of valuation standards, the regulation of valuation activities and other related matters, and the promotion of valuation training and seminars;
 - (e) Maintain a roster of licensed local government appraisers and assessors;
 - (f) Develop and maintain a comprehensive and up-to-date electronic database of real property transactions and prices of materials for buildings, machinery, and other structures;
 - (g) Conduct continuing study and research on valuation, and maintain information on current global and country trends and developments in real property valuation;
 - (h) Formulate and provide for uniform procedure on the different transactions in the assessor's office, including the transfer, annotation, and issuance of tax declarations;
 - (i) Determine, fix, and collect a reasonable amount to be charged as administration fees, fines, and penalties relative to the implementation of this Act; and
 - (j) Perform such other functions as are necessary, proper, and incidental to implement the provisions of this Act.

SEC. 5. Establishment of the Real Property Valuation Service. – To achieve the policies and objectives declared in this Act, the Real Property Valuation Service, hereinafter referred to as the RPVS, within the BLGF with counterpart personnel in the BLGF Regional Offices is hereby established.

SEC. 6. The BLGF Executive Director. – The BLGF Executive Director shall be responsible for the efficient and effective day-to-day performance of the responsibilities set forth in this Act, and shall be responsible for the overall internal management and governance of the RPVS.

SEC. 7. Creation of a Central Consultative Committee. –

- (a) A Central Consultative Committee shall be created and shall serve as the consultative forum on matters pertaining to the setting, adoption, and maintenance of the valuation standards and other related concerns on real property valuation
- (b) It shall be chaired by the BLGF Executive Director and shall be composed of a representative each from the:
 - 1) Bureau of Internal Revenue (BIR);
 - 2) Department of Environment and Natural Resources (DENR);
 - 3) Bangko Sentral ng Pilipinas (BSP);
 - 4) National organization of government assessors;
 - 5) National organization of appraisers in national government agencies; and
 - 6) Private appraisal sector.
- (c) The representatives of the BIR, DENR and BSP must be performing valuation-related functions. The national organization of government assessors, and the private appraisal sector shall be represented by their respective heads of organizations.
- (d) The Chairperson and members of the Committee shall not receive additional salary for the performance of their functions. Members of the consultative committee who are not incumbent government officials or employees shall be entitled to *honoraria*, pursuant to existing laws and regulations.
- (e) The Committee shall meet at the initiation of the Chairperson at least once every semester and shall have as many meetings as the Chairperson may deem necessary for the adoption of valuation standards. The Chairperson may invite resource persons on issues concerning real property valuation.

Chapter 2 – BLGF Regional Operations

SEC. 8. Role of the BLGF Regional Offices. – The BLGF Regional Offices, through the Regional Director, shall be responsible for all matters relating to valuation and the supervision of the SMVs in the region. They shall:

- (a) Implement policies, plans, programs, rules and regulations on real property valuation of local government units in the region;
- (b) Review, in coordination with the BIR, and endorse to the RPVS, the proposed SMVs prepared by the assessors of the local government units in the region;

- (c) Provide for economical, efficient and effective valuation services in the region;
- (d) Coordinate and consult with other government departments, bureaus and agencies within the region dealing with real property valuation;
- (e) Adopt and maintain a comprehensive and up-to-date electronic database of all regional real property-related transactions, and have custody of all transaction records submitted by local government assessors; and
- (f) Perform other functions as may be assigned by the BLGF Executive Director.

SEC. 9. The Regional Consultative Committee. –

- (a) There shall be a Regional Consultative Committee that shall be chaired by the BLGF Regional Director and shall be composed of a representative from:
 - 1) BIR – Regional Office;
 - 2) DENR – Regional Office;
 - 3) Head of Regional organization of government assessors;
 - 4) Head of Regional organization of national government appraisers;
 - 5) Head of the private appraisal sector within the region; and
 - 6) Head of the bankers association within the region.
- (b) The members of the Regional Consultative Committee must be performing valuation-related functions in their respective agencies or sector.
- (c) The Committee shall meet at the initiation of the BLGF Regional Director at least once every quarter and shall have as many meetings as the BLGF Regional Director may deem necessary for the performance of its function. The BLGF Regional Director may invite resource persons on issues concerning real property valuation.

SEC. 10. Function of the Regional Consultative Committee. – The Regional Consultative Committee shall serve as a consultative forum in the region for discussion on developments in the local real property market; concerns of taxpayers, civil society, and other stakeholders; outcome of compliance reporting in the region; level of complaints and appeals; training of local government assessors in the region; appraisal and assessment concerns in general; and other matters as may be determined by the Committee.

ARTICLE III **VALUATION OF REAL PROPERTIES**

Chapter 1 – Valuation Standards and Market Values

SEC. 11. *Development of Valuation Standards.* – Notwithstanding the provisions of existing laws to the contrary, the BLGF shall develop, adopt, maintain, and implement uniform valuation standards which shall be used by all appraisers and assessors in the local government units and other concerned parties in the appraisal or valuation of lands, buildings, machinery and other real properties for taxation and other purposes. The valuation standards shall conform to the generally accepted international valuation standards and principles.

SEC. 12. *Valuation of Real Property.* – For valuation purposes, all real properties, whether taxable or exempt, shall be valued or appraised based on prevailing market values in the locality where the property is situated, in conformity with the valuation standards adopted pursuant to this Act. The Secretary of Finance shall promulgate the rules and regulations for the valuation of real property pursuant to the provisions of this Act.

For real property intended for low-cost or socialized housing and other programs of the government imbued with social policy objectives, the provisions of existing pertinent laws shall be applied after determination of the prevailing market value of these properties in accordance with generally accepted international valuation standards.

SEC. 13. *Preparation of Schedule of Market Values.* – The provincial assessors together with city and municipal assessors, including the municipal assessors in the Metropolitan Manila Area, shall prepare the SMV for the different classes of real property situated within their respective local government units, pursuant to the valuation standards, rules, regulations and other specifications set by the DOF. The proposed SMV shall be submitted to the BLGF Regional Office and the BIR Regional Office for their joint review and to ensure that the SMV complies with other requirements within ninety (90) days from the receipt of the BLGF and BIR Regional Offices.

SEC. 14. *Approval of Schedule of Market Values.* – The Secretary of Finance shall approve the SMV within sixty (60) days from receipt of the joint endorsement of the BLGF Executive Director and the Commissioner of Internal Revenue; otherwise, said schedule shall be deemed approved.

The approved SMV shall be published by the DOF in the Official Gazette or in at least two (2) newspapers of general circulation. The SMV shall take effect fifteen (15) days after its publication.

The DOF shall post the approved SMV in its official website and shall furnish the concerned local government unit, through the BLGF and the BIR, with copies thereof.

SEC. 15. Setting Assessment Levels and Tax Rates. – The approved SMV shall be transmitted to the concerned assessor who shall confer with the local chief executive regarding the approved SMV. The assessor, in coordination with the local treasurer, shall estimate the tax impact of the new SMV as against the existing assessment levels and tax rates, calculate the expected level of tax burden that the taxpayers will bear based on the new SMV and recommend amendments on the assessment levels and/or tax rates. The assessor shall prepare a minimum of three estimates of the tax impact based on different scenarios and submit the tax impact report to the local chief executive and the *Sanggunian*.

The local chief executive shall transmit the approved SMV, together with the tax impact report, within fifteen (15) days from receipt of the same to the *Sanggunian* for the enactment of an ordinance setting the appropriate assessment levels and tax rates. During the *Sanggunian*'s deliberations prior to the enactment of the tax ordinance, it may call upon the assessor to provide technical assistance and calculate the tax impact of additional options in order to arrive at a desired level of taxes that the *Sanggunian* will adopt. The concerned *Sanggunian* shall enact the tax ordinance upon conduct of public hearings and proper consultations within sixty (60) days from receipt thereof; otherwise, the existing ordinance on assessment levels and tax rates shall remain in force and effect.

Upon the enactment by the *Sanggunian* of an ordinance for the assessment levels and tax rates, the local chief executive shall act within ten (10) days, in the case of cities and the municipality in the Metropolitan Manila Area, or within fifteen (15) days, in the case of provinces, to approve the same. Failure of the concerned local chief executive to act on the ordinance within the prescribed period shall render the same approved.

SEC. 16. Publication of Assessment Levels and Tax Rates. – The approved ordinance for the assessment levels and tax rates shall be published by the concerned local government unit in a newspaper of local circulation once a week for two (2) consecutive weeks: *Provided*, That in provinces, cities, and municipalities where there are no newspapers of local

circulation, the same shall be posted in the provincial capitol, including all concerned city halls, municipal halls, and in two (2) other conspicuous public places therein.

SEC. 17. *Use of Schedule of Market Values.* – The approved SMV shall be used as basis for the determination of real property-related taxes of national and local governments, as follows:

- (a) For purposes of real property taxation, the approved SMV shall in no case be adopted by the local government unit less than six (6) months prior to the effectivity of the new assessment rates to ensure the proper cleansing and updating of records, and notification of property owners in the conduct of general revision of assessment and property classification.
- (b) In computing any internal revenue tax, the BIR Commissioner shall use the SMV, or the actual gross selling price in consideration, as stated in real property transaction documents, whichever is higher.
- (c) For other purposes, such as local transfer tax, tax on sand and gravel, community tax, fees and charges, or as benchmark for real property appraisal of other government agencies, the approved SMV may be used upon its effectivity.

Notwithstanding the provisions of existing laws to the contrary, the failure to conduct a general revision of assessment and property classification, and use of the SMV shall render a local government unit ineligible for any conditional or performance-based grants or to contract any form of credit financing from the national government.

SEC. 18. *Updating of Schedule of Market Values.* – All provincial assessors together with the city assessors, and the municipal assessors, including the municipal assessors in the Metropolitan Manila Area, shall update their respective SMVs within two (2) years from the effectivity of this Act. Thereafter, they shall update the SMVs and conduct general revision of property assessments not earlier than three (3) years, but not later than five (5) years, from the date of last revision. The BLGF shall prepare the schedule for the updating of the SMVs in all provinces, cities and municipalities within the Metropolitan Manila Area.

In case of any significant change in market value where the property is located after the SMVs have been approved and prior to next revision, or where correction of errors and inequalities in any SMV is deemed necessary or upon the directive of the Secretary of Finance, the provincial assessors shall, together with the city assessors, and the municipal assessors, including the municipal assessor in the Metropolitan Manila Area, recommend

revisions to their existing SMVs to the BLGF Regional Office, through the Regional Director of the BLGF having jurisdiction over the local government unit concerned.

Such revision/s shall be subject to review by the concerned BLGF Regional Office and the BIR Regional Office which shall complete their review and submit their recommendations to the BLGF Executive Director, in accordance with Section 14 hereof.

SEC. 19. *Conduct of Capacity Building Interventions.* – The BLGF shall, in coordination with the Philippine Tax Academy of the DOF, develop and conduct the necessary training for all local assessors, local officials, and staff, and other concerned BIR personnel on the preparation of the SMV in accordance with generally accepted international valuation standards, concepts, principles and practices; conduct of SMV impact studies, preparation of compliance reports, and other subject areas.

Chapter 2 – Development and Maintenance of Real Property Market Database

SEC. 20. *Development of Real Property Information System.* – The BLGF shall develop and maintain an up-to-date electronic database of the sale, exchange, lease, mortgage, donation and all other real property transactions and declarations in the country and on the cost of construction or renovation of buildings and other structure, and on prices of machinery.

For this purpose, the BLGF shall require the mandatory submission of necessary documents from the concerned officials or employees of national government offices or instrumentalities, local government units, and the private sector. The updated database shall be made available to the local government units, national government agencies and the private sector: *Provided*, That the Commissioner of Internal Revenue or a duly authorized representative shall be allowed access to the database without need of prior approval: *Provided, Further*, That non-submission of the required documents to the BLGF will be subject to the provisions of Section 28 of this Act.

To further achieve these objectives and ensure efficient real property tax administration, all provinces, cities and municipalities shall automate their operations, adopt tax mapping technology, maintain software-enabled valuation systems, undertake regular data cleansing, and computerize records management. The National Government, through the Department of Information and Communications Technology shall provide the appropriate equipment and connectivity, information and communications technology

platform, and the appropriate training and capability building programs to third class up to sixth class municipalities and provinces to ensure compliance with this Section. The BLGF shall establish mechanisms for the electronic submission of the required documents in accordance with the succeeding sections of Chapter 2 of this Act.

SEC. 21. Duty of Register of Deeds to Supply Assessors with Real Property Transactions Data. – The Register of Deeds shall prepare and submit to the provincial assessors, together with the city assessors, and municipal assessors, including the municipal assessors in the Metropolitan Manila Area, an abstract of the entire registry every three (3) months and copies of all contracts selling, transferring or otherwise converting, leasing, or mortgaging real property registered every end of the month. The abstract shall include brief but sufficient description of the real properties entered therein, their present owners, and the dates of their most recent transfer or alienation accompanied by copies of corresponding deeds of sale, donation, or partition, or other forms of alienation.

SEC. 22. Duty of Official Issuing Building Permits or Certificates of Registration of Machinery to Transmit Copy of Permit to the Assessor. – Any public official or employee who may now or hereafter be required by law or regulation to issue to any person a permit for the construction, addition, repair or renovation of a building, or permanent improvement on land, or a certificate of registration for any machinery, including machines, mechanical contrivances and apparatus attached or affixed on land or to another real property, shall transmit a copy of such permit or certification within thirty (30) days of its issuance to the assessor of the province, city or municipality where the property is situated.

SEC. 23. Duty of Geodetic Engineers to Furnish Copy of Plans to Assessor. – It shall be the duty of all geodetic engineers, public or private, to furnish free of charge, the assessor of the province, city or municipality where the land is located, a copy of the blue or white print of each of all approved original subdivision plans or maps of surveys, duly signed by a Senior Geodetic Engineer, executed by them every end of the month from receipt of such approved plans from the Land Management Bureau (LMB), the Land Registration Authority (LRA), or the Housing and Land Use Regulatory Board (HLURB), as the case may be.

SEC. 24. Duty of Registrar of Deeds and Notaries Public to Assist the Provincial, City, or Municipal Assessor. – It shall be the duty of the Registrar of Deeds and notaries

public to furnish, free of charge, the provincial, city or municipal assessor with copies of all contracts selling, transferring, or otherwise conveying, leasing, or mortgaging real property received by, or acknowledged before them within such periods as the BLGF shall prescribe.

SEC. 25. Duty of Assessors to Transmit Documents to the BLGF. – It shall be the duty of the assessors to transmit to the concerned BLGF Regional Office all real property transactions data from the Register of Deeds, and the names of the official issuing the building permit and those of the geodetic engineers within one (1) month after the receipt of such data. The BLGF's Regional Office shall record, process and make a summary report of the real property data and submit the same to the BLGF Central office within one (1) month from receipt of such data.

Chapter 3 – Appointment and Qualifications of Assessors

SEC. 26. Appointment of Assessors. – The local chief executive shall appoint the provincial, city and municipal assessors and assistant assessors, as the case may be, in accordance with civil service law, rules and regulations and the following guidelines:

- (a) In the case of provincial and assistant provincial assessors and city and assistant city assessors, the appointee shall be chosen from the list of at least three (3) ranking eligible candidates within the region;
- (b) In the case of city and assistant city assessors, and the municipal and assistant municipal assessors in the Metropolitan Manila Area, the appointee shall be chosen from the list of at least three (3) ranking eligible candidates within the region; and
- (c) In the case of municipal and assistant municipal assessors, the appointee shall be chosen from the list of at least three (3) ranking eligible candidates within the province.

The assessors shall be under the technical supervision of the BLGF, primarily through a system of compliance reporting and of capacity-building through education and training programs.

SEC. 27. Qualification of Local Government Assessors. – No person shall be appointed assessor or assistant assessor unless a citizen of the Philippines, a resident of the region for a provincial or city assessor/assistant assessor, and of the province for a municipal

assessor/assistant assessor, a registered and licensed appraiser, of good moral character, and must not have been convicted of any crime involving moral turpitude. The appointee must have experience in real property valuation or assessment work or in any suitable field, either in private or public practice, for at least five (5) years in the case of the provincial or city assessor, and three (3) years in the case of the municipal assessor.

ARTICLE IV **PENAL PROVISIONS**

SEC. 28. *Failure to Comply with the Required Submission of Documents.* – Any government official or employee who fails without justifiable reason to provide or furnish data or information required pursuant to Sections 20, 21, 22, 23 and 24 of this Act, shall be punished by a fine equivalent to the official's or employee's six (6) months basic salary or suspension from the service for a period not exceeding one (1) year, or both, at the discretion of the competent authority.

SEC. 29. *Failure to Comply with the Valuation Standards.* – An assessor who, for unjustifiable reasons, fails to comply with the valuation standards developed and adopted pursuant to this Act, or deliberately conceals any deviations or departures from such standards in the valuation of real property, shall be punished by a fine equivalent to the official's or employee's six (6) months basic salary or suspension from the service for a period not exceeding one (1) year, or both, at the discretion of the competent authority.

SEC. 30. *Failure to Prepare Schedule of Market Values.* – An assessor who, for unjustifiable reasons, intentionally or deliberately refuses or fails to prepare the SMVs within the period set forth in this Act shall be punishable by a fine equivalent to the official's or employee's basic salary for a period of one (1) month to six (6) months, or by suspension from the service for not more than one (1) year, or both, at the discretion of the competent authority. This shall also be a ground for administrative and criminal liability in accordance with the provisions of Republic Act No. 9646, otherwise known as the “Real Estate Service Act of the Philippines”.

SEC. 31. *Government Agents Delaying the Review, Approval and Implementation of SMV, and Conduct of General Revisions.* – Any government official who delays, without justifiable cause, the review, approval and implementation of the SMV, the conduct of

general revisions, or cause the improper use thereof shall be punished by a fine equivalent to the official's or employee's six (6) months basic salary or suspension from the service for a period not exceeding one (1) year, or both, at the discretion of the competent authority.

SEC. 32. *Violation of Other Provisions.* – Any person, whether natural or juridical, who violates any provision of this Act other than those punishable under Sections 28, 29, and 30 hereof shall, when warranted, be dealt with under applicable existing laws.

SEC. 33. *Taxpayers' Remedies in Case of Erroneous Assessments of Real Properties.*

– The provisions of Sections 226 on Local Board of Assessment Appeals and 229 on Action by the Local Board of Assessment Appeals of Republic Act No. 7160, as amended, shall apply in all cases of appeal as remedies for the taxpayers in the assessment of their properties.

All concerned local governments shall cause the constitution of a fully functioning Local Board of Assessment Appeals in their respective jurisdictions in coordination with the Land Registration Authority.

ARTICLE V **TRANSITORY PROVISIONS**

SEC. 34. *Transitory Guidelines.* – Local government units which are in the process of updating their SMVs, upon the effectivity of this Act, shall continue with such revisions in accordance with Section 16 of this Act: *Provided*, That proper notification and coordination with the BLGF shall be undertaken.

In case the SMV is not yet available or updated, the BIR Commissioner shall adopt the existing SMV, zonal values or the actual price in consideration as stated in real property transaction documents, whichever is higher, for purposes of computing any internal revenue tax.

SEC. 35. *Saving Clause.* – The zonal values, as determined by the BIR and approved by the Secretary of Finance for internal revenue tax purposes, and the SMVs prepared by the provincial assessors together with the city assessors, and municipal assessors, including the municipal assessors in the Metropolitan Manila Area, that have been approved by their respective *Sanggunians* for real property taxation purposes shall continue to be in force and effect until repealed, superseded, modified, revised, set aside, or replaced by the values

provided under the updated SMVs as approved in accordance with Section 15 of this Act, which shall be within two (2) years upon the effectivity of this Act.

ARTICLE VI **FUNDING REQUIREMENTS**

SEC. 36. Budgetary Requirements for the Updating of Schedule of Market Values. – Each local *sanggunian* shall appropriate the necessary funds from locally generated revenues, the internal revenue allotment or such other sources every fiscal year. The accumulated amount so appropriated shall be known as the Real Property Tax Administration Fund (RPTAF) which shall be used for the proper implementation of the updating of the SMVs and general revision of real property assessments, and the administration of real property taxes in all local government units.

The BLGF shall annually furnish the Department of Budget and Management (DBM) with a list of local government units with SMVs that are due for updating. The DBM, in their review of the ensuing year budget of provinces, highly urbanized cities, independent component cities and municipalities within the Metropolitan Manila Area, shall ensure that sufficient funds have been budgeted to comply with the requirements of this Act: *Provided*, That failure to provide the appropriations herein required shall render their annual budgets inoperative.

ARTICLE VII **FINAL PROVISIONS**

SEC. 37. Appropriations. – The amount necessary for the implementation of this Act shall be included in the annual General Appropriations Act.

SEC. 38. Implementing Rules and Regulations (IRR). – Within six (6) months after the effectivity of this Act, the DOF, in consultation with concerned parties, shall issue the IRR for the effective implementation of this Act.

SEC. 39. Suppletory Application of Existing Laws. – The provisions of Republic Act No. 7160, otherwise known as the “Local Government Code of 1991” as amended, and other laws consistent with this Act shall have suppletory effect.

SEC. 40. *Separability Clause.* – If any section or provision of this Act shall be declared unconstitutional or invalid, other sections or provisions not affected thereby shall continue to be in full force and effect.

SEC. 41. *Repealing Clause.* –

- (a) Sections 188, 199(o), 201, 202, 209 (a), 212, 214, 219, 220, 472 (a) paragraph 1, 472(b)(8), and 473(a) paragraph 1 of Republic Act No. 7160, otherwise known as the “Local Government Code of 1991”, are hereby repealed;
- (b) Section 3 (n) of PD 464 of 1974 is hereby repealed;
- (c) Section 6 of Republic Act No. 10752, otherwise known as the “The Right-of-Way Act” is hereby repealed;
- (d) Section 4 (a) and (b) of Republic Act No. 8974 are hereby repealed;
- (e) Section 9 of PD 921 on the administration of local financial services in Metropolitan Manila and creating Local Treasury and Assessment Districts, is hereby repealed;
- (f) Sections 19, 135 (a), 138, 198(a), 199(o), 218 and 224(a) of Republic Act No. 7160, otherwise known as the “Local Government Code of 1991”, are also amended or modified accordingly;
- (g) Likewise, Sections 6(E), 24(D), 27(D)(5), 88(B) and 102 of Republic Act No. 8424, otherwise known as the “Tax Reform Act of 1997”, are likewise amended or modified accordingly;
- (h) Section 4(h) and Section 9 of PD 538 on the power of Philippine Veterans Investment Development Corporation Industrial Authority to collect real property tax; and
- (i) All laws, presidential decrees, executive orders, presidential proclamations, rules and regulations or parts thereof contrary to or inconsistent with this Act are hereby repealed, superseded or modified accordingly.

SEC. 42. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,