

## MAP Statement on Real Property Valuation under TRAIN 3

December 10, 2018

The MANAGEMENT ASSOCIATION OF THE PHILIPPINES (MAP) supports reforms to the country's real property valuation as proposed in bills introduced in the House of Representatives and the Senate as TRAIN Package 3 of the Comprehensive Tax Reform Program of the Duterte Administration.

The reforms seek to institute a market-based central valuation base for taxation of real property by the national government and local government units.

The legislation calls for the adoption of international standards and best practices in real property valuation, and will professionalize property assessment and strengthen local autonomy while improving the oversight functions of the national government.

Particularly, the MAP supports the adoption of market values as basis to establish the single valuation base (SVB) system for real property with a Schedule of Market Values (SMV) to be periodically updated and published by the Department of Finance (DOF) for local and national taxation purposes.

However, similar to real property taxation, the MAP recommends that for national tax purposes, assessment levels be likewise applied on the DOF's valuation base to temper the impact of inflation in property values reflected in the SMVs that are periodically upgraded to conform to current market values.

Accordingly, we recommend an assessment level of fifty (50) percent of DOF's SMV for transfer *mortis causa* of estate property and gratuitous transfer *inter vivos* of property among members of the family up to the 4th degree of consanguinity.

The rationale for this being that transfer *mortis causa* is involuntary, mandatory pursuant to law and without valuable consideration; the latter is likewise the case in donation *inter vivos*.

Commercial transaction of real property, on the other hand, is for valuable consideration and is starkly different from gratuitous transactions.

We believe that providing the said lower assessment level for the stated transfers is needed to give life to the rationalization of donor's and estate tax rates to six (6) percent. The benefits of such lower rate of six (6) percent that encourages high level of compliance going forward will be eroded if the full market values, as appraised and periodically upgraded, will be used as the valuation base for non-commercial transactions among family members.

On the other hand, the MAP agrees to one hundred (100) percent assessment level for commercial property transactions for valuable consideration.

With respect to low-cost or socialized housing units, we recommend that the actual selling price of these properties to the first buyer be deemed as the market value and assessed value to recognize the social purpose of these projects, and as such, shall be the valuation base for taxation.

Lastly, we believe that the single real property valuation base will have much credibility and support from the public if the latter is allowed to participate through a public hearing on the initial SMVs determined by the government prior to implementing these as the official SMVs.