



REPUBLIC OF THE PHILIPPINES  
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**MR. VICENTE EDGARDO C. BARTILAD**

Editor-In-Chief, Manila Bulletin

[editorial@mb.com.ph](mailto:editorial@mb.com.ph)

Dear Mr. Bartilad,

The news item **“Cebu mayors air concern over proposed real property tax hike”** in Manila Bulletin last November 14, 2011 has highlighted the need to clarify a number of misconceptions on real property valuation and taxation and to educate the general public on the importance of using updated real property values.

The appeal of the League of Municipalities of the Philippines (LMP)-Cebu Chapter to the Cebu Provincial Board to set aside the proposed ordinance that will increase real property taxes as a result of updating the property market values is expected. The apprehension that they “might face public indignation if and when the proposed 50 percent increase in the market value of real property in the province is effected, most especially now that the next elections are coming,” is commonplace every time the issue of updating property values and conducting a general revision is being proposed.

From the viewpoint of policy and governance, however, using outdated property values in the assessment of real property taxes has adverse effects on local fiscal and financial management, and more significantly, on good governance. To further emphasize, I wish to share these points:

- 1) Section 219 of the Local Government Code (LGC) of 1991 requires all provincial, city and Metro Manila municipal assessors to update their respective SMVs and to conduct a general revision of property assessments once every three years. However, the compliance of LGUs in the past two decades has been dismal and the values of lands, buildings, and other improvements in the LGUs have stagnated. Thus, policy reforms have been introduced by the Second Land Administration and Management Project (LAMP2) and Joint Memorandum Circular 2010-01 was issued by DOF and DILG in October 2010 to enjoin LGUs to comply with the statutory requirement of regular updating of property values.
- 2) Subscribing to political force instead of considering market forces in property valuation not only results in a distorted valuation and taxation system, but also promotes inequity for both the government and taxpayers. If an LGU uses outdated real property values as basis for RPT, properties which have appreciated in value over time will still be taxed based on the lower values before they appreciated. Thus, taxes imposed will be lower than what they should really be. Conversely, properties which have depreciated in value over time will still be taxed based on the higher value before their values

depreciated. As such, property owners with depreciated properties will be taxed higher than what they should really be taxed with.

Perpetuating this traditional view would only undermine the capacity of LGUs to generate revenues from real property, being the most stable source for income generation.

- 3) Lastly, it should be fully clarified that even if property values are revised and updated, local officials can easily remedy the potential tax increases as there are existing safeguards under the law. **The LGU can soften the impact of the increase in property values by adjusting the assessment level or the tax rate**, as provided in the LGC. Moreover, tax policy options, such as phased or staggered implementation and discounts for early tax payment, need to be optimized to mitigate the potential tax hike. This has been successfully done in Naga City during the pilot implementation of LAMP2 Valuation and Taxation Reforms. It is also critical that the assessor, together with the treasurer, is able to simulate the tax impact of the increases in property values to arrive at the best policy decision in setting the appropriate and acceptable combination of assessment level and tax rate to be imposed.

The looming decrease in local governments' IRA share in 2012 now underscores the urgent need for local officials to maximize fiscal and financial autonomy. This can be done by strengthening their local revenue base through an efficient and effective real property valuation and taxation system.

As the former Chairman of the Committee on Ways and Means in Naga City, I understand our local elective officials' apprehension in expending political capital in pursuing valuation reforms. However, our local leaders must be persuaded that the payoff of expending political capital significantly exceeds the cost.

Our local leaders must also make the important distinction that valuation (technical function of assessors and appraisers) and local tax rate setting and administration (political function of elective officials) are two distinct aspects of SMV updating and of conducting a general revision, which promotes transparency and equity. The anticipated political backlash in complying with the LGC and the JMC can be hurdled with strong political will, by adhering to the tenets of good governance, and by undertaking an effective information campaign wherein taxpayers are made to understand where the increase in property taxes will be expended.

Very truly yours,

  
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