



Republic of the Philippines
DEPARTMENT OF FINANCE

DOF-LOCAL FINANCE CIRCULAR NO. 1-97

April 16, 1997

- SUBJECT** : Guidelines for the implementation of Sections 7, 20 and 43 of R.A. No. 7279 otherwise known as the Urban Development and Housing Act of 1992; and to supplement Local Finance Circular No. 3-92 dated September 11, 1992.
- TO** : All Regional Directors, Bureau of Local Government Finance (BLGF); District Treasurers and Assessors of Metropolitan Manila Area; Provincial, City and Municipal Treasurers; Provincial, City and Municipal Assessors; and Others Concerned.

Sections 7, 20 and 43 of R.A. No. 7279, otherwise known as the Urban Development and Housing Act of 1992, provide as follows:

"SECTION 7. *Inventory of Lands.* —Within one (1) year from the effectivity of this Act, all city and municipalities governments shall conduct an inventory of all lands and improvements thereon within their respective localities. The inventory shall include the following:

"(a) Residential lands;

"(b) Government-owned lands, whether owned by the National Government or any of its subdivisions, instrumentalities, or agencies, including government-owned or -controlled corporations and their subsidiaries;

"(c) Unregistered or abandoned and idle lands; and

"(d) Other lands.

"In conducting the inventory, the local government units concerned, in coordination with the Housing and Land Use Regulatory Board and with the assistance of the appropriate government agencies, shall indicate the type of land use and the degree of land utilization, and other data or information necessary to carry out the purposes of this Act."

"For planning purposes, the Housing and Urban Development Coordinating Council shall be furnished by each local government unit a copy of its inventory which shall be updated every three (3) years."

"SECTION 20. *Incentive for Private Sector Participating in Socialized Housing.* — To encourage greater private sector participation in socialized housing and further reduce the cost of housing units for the benefit of the underprivileged and homeless, the following incentives shall be extended to the private sector:

"x x x;

"(d) Exemption from the payment of the following:

"x x x;

"Transfer tax for both raw and completed projects; and

"x x x.

"SECTION 43. *Socializing Housing Tax*. — Consistent with the constitutional principle that the ownership and enjoyment of property bear social function and to raise funds for the Program, all local government units are hereby authorized to impose an additional one-half percent (0.5%) tax on the assessed value of all lands in urban areas in excess of Fifty thousand pesos (P50,000)."

For the proper implementation of the foregoing provisions of law and to supplement Local Finance Circular No. 3-92 dated September 11, 1992 with a view of further clarifying the implementation of Sec. 13 of the said R.A. No. 7279, the following guidelines are hereby prescribed for the information and guidance of all concerned:

SECTION 1. Scope. — This Circular shall govern the conduct of an inventory of land pursuant to Section 7 of R.A. 7279; the exemption from the tax on transfer of real property by the private sector participating in socialized housing under Section 20 of the said Act; and the imposition of an additional one-half percent (0.5%) tax on the assessed value of all lands in urban areas, in excess of Fifty thousand pesos (P50,000.00) in accordance with Section 43 of the same Act.

The said additional tax is intended to provide local government units with sufficient funds to initiate, implement and undertake social housing projects and other related preliminary activities in their respective jurisdictions.

This Circular also aims to supplement the Guidelines for equitable land valuation for socialized housing (Local Finance Circular No. 3-92), insofar as the valuation of "blighted" lands is concerned.

SECTION 2. Definition of Terms. — As used herein, the following terms shall be construed to mean —

(a) "Act" — refers to the Urban Development and Housing Act of 1992;

(b) "Private sector/ project contractor" — shall refer to persons, natural or juridical, participating in socialized housing and/or community mortgage programs as provided for in the Act; or are engaging in slums improvement or the development of resettlement areas or new sites or other areas that may be identified by the local government units as suitable for socialized housing projects;

(c) "Raw lands" — refer to lands already classified in accordance with the classification of lands under Title Two, Book II, of R.A. No. 7160 but which are undeveloped or do not contain the necessary physical infrastructure for viable urban habitation, such as roads, water supply, sewerage, etc., which are covered by contract or agreement for development, partition and sale as a socialized housing project;

(d) "Socialized housing" — refers to housing programs and projects covering houses and lots or homelots only undertaken by the Government or the private sector for the underprivileged and homeless citizens which shall include sites and services development, long-term financing, liberalized terms on interest payments and such other benefits in accordance with the provisions of this Act;

A socialized housing unit, which shall include both the house and lot, shall not include both the house and lot, shall not exceed P150,000.00 or such adjusted amount as may be determined by the Housing and Land Use Regulatory Board (HLURB); and

(e) "Underprivileged and homeless citizens" — refers to individuals or families residing in urban and urbanized areas whose income or combined household income falls within the poverty threshold as defined by the National Economic and Development Authority and who do not own housing facilities. However, such individuals must:

1. be a Filipino citizen,
2. not own any real property whether in the urban or rural areas,
3. not be a professional squatter or a member of the squatting syndicates.

(f) "Urban areas" — refer to all cities regardless of their population density and to municipalities with a population density of at least five hundred (500) persons per square kilometer.

(g) "Blighted areas" — refer to the areas where 50% of the structures are dilapidated, obsolete and unsanitary, tending to depreciate the value of the land and prevent normal development and use of the area. The blighted status of the area shall be certified by the LGU concerned thru its assessor.

(h) "Assessed value" — is the fair market value of the real property multiplied by the assessment level; synonymous to taxable value.

SECTION 3. Incentives for Private Sector Participating in Socialized Housing. — To encourage greater private sector participation in socialized housing and further reduce the cost of housing units for the benefit of the underprivileged and homeless citizens, the private sector shall be exempt from the payment of the transfer tax for both raw land and completed projects: Provided, however, that such exemption from payment of transfer tax on acquisition of raw land may be realized only upon completion of at least fifty percent (50%) of the project as scheduled or in accordance with the program of work submitted, which shall be verified and determined by the assessor concerned.

The local Treasurer, therefore, should initially collect the transfer tax on all transactions involving the acquisition of raw lands by participating private sectors like any other transaction requiring the payment of such transfer tax. However, the same shall be held in trust which may be refunded to the payor only upon certification by the assessor that the fifty percent (50%) completion requirement has been complied with, and the corresponding "Certificate of Transfer Tax Exemption" is issued by the Bureau of Local Government Finance (BLGF), otherwise, the tax collected shall be transferred to the general fund of the LGU concerned.

The BLGF "Certificate of Transfer Tax Exemption" shall also be required in order to avail of the herein exemption for completed projects.

SECTION 4. Requirements/ Conditions for Availment of Tax Incentives/ Exemptions. — As an initial step in the availment of the herein tax incentive, a written application for Certificate of Transfer Tax Exemption shall be filed at the Office of the City or Municipal Assessor concerned to be submitted subsequently to the BLGF together with the following documents:

- a. Certified true copy of the Deed of Sale;
- b. Certified true copy of the TCT/s;
- c. Approved socialized housing development plan;
- d. Certification from the assessor that the area being sold consists of raw land to be utilized in the socialized housing project; and
- e. Certification from the Population Commission (POPCOM) that the area is urbanizable.

The Seller's Taxpayer Identification No. (TIN) should be indicated in the application.

Within fifteen (15) days from the date of submission of the application and supporting documents, the assessor concerned shall, after due verification of the documents submitted; and conduct of an ocular inspection to determine whether the project has, at least, been 50% completed, forward the application for transfer tax exemption, together with the Certification as to the project accomplishment vis-a-vis the approved socialized housing development plan; and all the foregoing documents, to the BLGF.

Applications for transfer tax exemptions covering raw lands shall be acted upon by the BLGF within a period not exceeding thirty (30) days upon receipt of the application for transfer tax and the Certification by the assessor concerned that the project is already fifty percent (50%) completed and the same is in accordance with the schedule indicated in the development plan. Thereupon, the BLGF shall issue the "Certificate of Transfer Tax Exemption" and notify the treasurer concerned for the said issuance, with instructions that the transfer tax initially collected should be refunded within a period of not exceeding five (5) days upon receipt of the BLGF notice.

The socialized housing development plan, shall be registered with the HUDCC, which, in coordination with the local government units, shall design a system for the registration of qualified Program beneficiaries in accordance with the National Urban Development and Housing Framework.

SECTION 5. Conduct of an Inventory of Lands. — For the proper implementation of Section 7, all City and Municipal Assessors are hereby instructed to conduct an inventory of all (a) residential lands; (b) government-owned lands whether owned by the National Government or any of its political subdivisions, instrumentalities or agencies, including government-owned or -controlled corporations and their subsidiaries; (c) unregistered or abandoned and idle lands; and (d) lands which may be declared as suitable for socialized housing, including buildings and other improvements thereon, within their respective jurisdictions, providing the following information:

- a. The name of the Owner and/or Administrator as appearing in the assessment records on file;
- b. The classification and "actual use" per assessment made of each land parcel;
- c. The actual condition/status and the degree of utilization as verified in the field, vis-a-vis the records of the HLURB (and other appropriate agencies of the government), and the LGU's Zoning Ordinances, if there are any;
- d. The Tax Declaration No. and the TCT No. if titled;
- e. The land area (and floor area, in cases where there are building(s) and/or other improvements); and
- f. The market and assessed values of subject lands.

All City and Municipal Treasurers are hereby enjoined to provide information to their respective city or municipal assessors relative to the real property tax delinquencies, if there are any, of all lands included in the inventory.

The initial inventory shall be conducted during the current year 1996 and, for this purpose, all City and Municipal Assessors are hereby directed to "divide" their respective localities into two (2) or four (4) districts or zones depending on the number of the land parcels. The completed inventory for each district or zone should be submitted to the HUDCC, thru their Regional Offices, beginning October 1st of the current year up to March 31st of the following year, which date is hereby prescribed to be the deadline for submission of the complete or total inventory for the entire city or

municipality. All Provincial Assessors are hereby instructed to guide and supervise their Municipal Assessors in the conduct of this activity.

For purposes of monitoring compliance herewith, all BLGF Regional Directors are hereby instructed to submit a quarterly progress report relative to the activities of the City and Municipal Assessors within their respective Regions concerning the foregoing instructions, and to see to it that the first progress report is submitted not later than December 31, 1996. Subsequent reports should be submitted within ten (10) days following the end of every quarter.

While the law requires the updating of land inventories once every three (3) years, it is hereby instructed that any additional or revised listing be prepared and submitted to the HUDCC on an annual basis, on or before December 31st of each year.

SECTION 6. Responsible Agencies and Guidelines in the Implementation of Sec. 43.

6.1 All LGUs with identified urban areas based on the National Urban Development and Housing Framework per Section 6 of the Act, shall inform the DILG, HUDCC and this Department of their intended action relative to Section 43 of said Act, which shall include such details as:

- (a) the commencement and termination of the implementation and imposition of the Socialized Housing Tax (SHT);
- (b) the projected generated income;
- (c) and the prospective projects to be founded by the tax.

However, the imposition of the additional one-half percent (0.5%) tax on the assessed value of all lands in urban areas in excess of fifty thousand pesos (P50,000.00) shall require the enactment of an ordinance by the sanggunian of the LGU concerned. Cdpr

1. A province or city, or municipality within the Metropolitan Manila Area involved may impose an annual Social Housing Tax of one-half percent (0.5%) on the assessed value of all lands in urban areas in excess of fifty thousand pesos (P50,000.00) in addition to the basic and Special Education Fund (SEF) taxes which the said local government units (LGUs) are authorized to impose under Sections 232 and 235 of the Local Government Code of 1991 (R.A. 7160).

All provinces and cities, and the municipalities within the Metropolitan Manila Area imposing the Social Housing Tax (SHT), shall have to enact their respective tax ordinances for this purpose.

2. The proceeds of the SHT actually and directly collected by the city or municipal treasurers shall accrue to their respective General Funds, under a Special Account to be established for the purpose. However, proceeds of the SHT collected by the municipal treasurers outside Metropolitan Manila Area shall be apportioned between the province and municipality concerned as determined and approved by the Sangguniang Panlalawigan on the basis of their respective urban development and housing programs.
3. The SHT shall accrue in the first day of January of the year following the commencement date of the program implementation and may be paid without interest in four (4) equal quarterly installments; the first

installment to be due and payable on or before the Thirty-first (31st) of March; the second installment, on or before the Thirtieth (30th) of June; and the third installment, on or before the Thirtieth (30th) of September; and the last installment on or before the Thirty-First (31st) of December, in line with the provisions of Section 250 of the Local Government Code of 1991.

The tax ordinance imposing SHT may provide tax discounts for advanced and prompt payments in accordance with the provisions of Section 251 of R.A. No. 7160 and Article 342 of the Implementing Rules and Regulations (IRR) of the said Code.

However, failure to pay the SHT upon the expiration of the periods aboveprescribed, shall subject the taxpayer to the payment of interest (penalty) at the rate of two percent (2%) on the unpaid amount per month, or fraction thereof, until the delinquent tax shall have been fully paid: Provided, however, that in no case shall the total interest on the unpaid SHT or portion thereof exceed seventy-two percent (72%).

- 6.2 The LGU shall utilize the Social Housing Tax (SHT) for any one or a combination of the following projects or undertakings:
1. Land purchase/ Land banking
 2. Improvement of current social housing facilities
 3. Land development
 4. Construction of core houses, sanitary cores, medium-rise buildings and other similar structures
 5. Financing of joint-venture agreements of LGU / NHA with the private sector
- 6.3 The Assessor's office of the Identified LGU shall:
- a. immediately undertake an inventory of lands within its jurisdiction which shall be subject to the levy of the Social Housing Tax (SHT) by the local sanggunian concerned;
 - b. inform the affected registered owners of the effectivity of the SHT; a list of the lands and registered owners shall also be posted in 3 conspicuous places in the city/ municipality;
 - c. furnish the Treasurer's office and the local sanggunian concerned of the list of lands affected;
- 6.4 The Treasurer's office shall:
- a. collect the Social Housing Tax on top of the Real Property Tax, SEF Tax and other special assessments;
 - b. report to the DOF, thru the Bureau of Local Government Finance, and the Mayor's office the monthly collections on Social Housing Tax (SHT). An annual report should likewise be submitted to the HUDCC on the total revenues raised during the year pursuant to Sec. 43, R.A. 7279 and the manner in which the same was disbursed.

- 6.5 For this purpose, the HUDCC, through its regional offices, and the NHA are hereby enjoined to:
- a. make recommendations to identified LGUs feasible social housing projects within jurisdictions to be funded by the SHT;
 - b. enter into joint-venture agreements with the LGU concerned for the development of projects to be funded by the SHT;

SECTION 7. Determination of Market Values of "Blighted Lands". — As supplement to Local Finance Circular No. 3-92 (Guidelines for Equitable Land Valuation for Socialized Housing), the market values of sites which are already occupied by program beneficiaries, where the land is considered "blighted land," as certified by the LGU concerned thru its assessor, in coordination with the National Housing Authority, shall be computed primarily on the basis of the land market value determined or arrived at in accordance with Section 3(1) of the said Local Finance Circular, which states:

"SECTION 3. Land Valuation. — x x x

"(1) As a general rule, the zonal values shown in the approved zonal valuation of real properties for the area or locality applicable to the corresponding period shall be used as the basis for computing the fair market value of the subject land.

"(2) Where in the approved zonal valuation of real properties covering a city or municipality, no zonal value has been prescribed for the particular land, the zonal value prescribed for similar land located in the adjacent area or barangay within the city or municipality shall be used in arriving at the fair market value of such land.

"(3) In the absence of zonal valuation in a city or municipality, the market value shown in the latest tax declaration on file shown in the Office of the Provincial, City or Municipal Assessor concerned shall be considered the fair market value of the land: Provided, that when the subject land has no tax declaration, the valuation thereof shall be computed on the basis of the applicable Schedule of Market Values of the city or municipality, in force during the corresponding period: Provided, further, that if no unit base market value has been fixed in the Schedule of Market Values for that city or municipality, the unit base market value fixed in the Schedule of Market Values for land of similar conditions within the city or municipality located in the adjacent area or barangay shall be used in determining the fair market value of subject land.

"x x x."

Thereupon, the market value of "blighted lands" may be determined by applying any or a combination of the following downward adjustment factors:

- a) Depth or Distance from main roads or streets by using the "stripping method", where a "strip" shall consist of not less than twenty (20) meters from the main road or street for the first "strip" and not less than ten (10) meters for each succeeding "strip"10% for the first "strip" and 10% for every other "strip"

- b) Low or sunken area easily flooded
by high tides or occasional rains..... not more than 20%
- c) Congestion, or inaccessibility of
the area even by non-motorized
pedicabs or animal-driven
vehicles like "calesas"..... not more than 10%
- d) Unsanitary or squalid condition
of the area due to lack of basic
facilities such as water supply
and solid waste disposal
systems, streetlights, etc. not more than 10%

Altogether, the resulting or final market value of any "blighted" land or area shall not be less than thirty (30%) nor more than sixty percent (60%) of the market value of such land or area as may be initially arrived at as discussed in the foregoing provisions of this Section.

The resulting or final market value of "blighted" lands or areas shall be determined by the City Assessor, the Municipal Assessor in the case of municipalities within the Metropolitan Manila Area, and by the Provincial Assessor in the case of municipalities outside Metropolitan Manila. At his discretion, the City Mayor, the Municipal Mayor of the municipality within Metropolitan Manila, and the Provincial Governor, as the case may be, may convene the local Appraisal Committee to review the valuation arrived at by the Assessor concerned for the Committee's comments and recommendation.

SECTION 8. Repealing Clause. — All rules, regulations, orders, and/or Circulars previously issued by the Department which are contrary to, or inconsistent with, the provisions of this Circular are hereby repealed or modified accordingly.

SECTION 9. Effectivity. — This Circular shall take effect immediately.

The Regional Directors of the Bureau of Local Government Finance, and the District Treasurers and Assessors of the Metropolitan Manila Area are hereby instructed to disseminate the contents of this Circular to all Provincial, City and Municipal Treasurers and Assessors within their respective jurisdictions for their information and guidance.

(SGD.) **ROBERTO F. DE OCAMPO**
Secretary