

# Workshop Outputs

## Group 1: Business and Business Interests/Intangible Assets

Existing Situation	Issues and Concerns	IVS 2017 Reference
<b>Bases of Value IVS 104</b>	<ol style="list-style-type: none"><li>1) The updating of the SMV is dependent upon the discretion of the local officials concerned;</li><li>2) Recommendation: Posting of SMVs in the website of the LGUs nationwide</li><li>3) Local Ordinance hampers the implementation of PVS</li><li>4) Recommendation: Public historical database of PH equities (for Business Valuation, have Bloomberg Terminal)</li><li>5) Use of methodologies of Weighted Average on Return on Assets (WARA) and Weighted Average on Cost of Capital (WACC)</li><li>6) Under declaration maybe caused by the high taxes imposed on the properties. Recommendation: Have a capital gain tax, To avoid under declarations</li><li>7) BIR is still SMV dependent on improvements and classifications</li><li>8) Outdated SMV: no Sanction in the LGC for LGUs- Recommendation: Inclusion of Penal provision in the LGC (e.g 3 years)</li></ol>	IVS 200 & 210

# Workshop Outputs

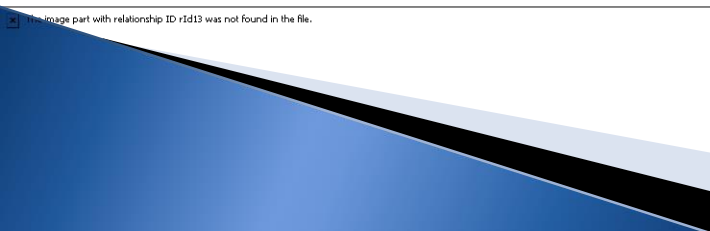
## Group 1: Business and Business Interests/Intangible Assets

Existing Situation	Issues and Concerns	IVS 2017 Reference
Valuation Approaches and Methods	None	
Special Considerations	<ol style="list-style-type: none"><li data-bbox="683 522 1503 736">1. Fairness/ uniformity in the application of RPT in the improvement of stalls (e.g. SM malls in Taguig city and Quezon City)</li><li data-bbox="683 751 1321 793">2. One value for zonal and SMV</li><li data-bbox="683 808 1489 1193">3. Considering indicating in PVS that appraisers should be given continuing professional development esp in intangible assets, financial instruments/ or Business valuation; or indicating “competencies” as a qualification for the position</li></ol>	

# Workshop Outputs

## Group 1: Business and Business Interests/Intangible Assets

Existing Situation	Issues and Concerns	IVS 2017 Reference
Special Considerations	4. To intensify the clamour for the passing of the Valuation Reform Act VRA in order to attain single valuation	



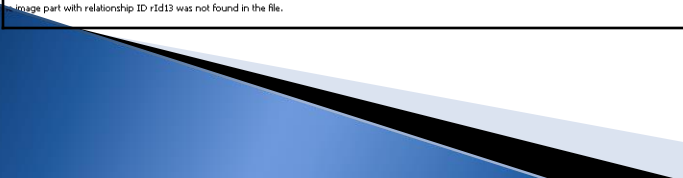
# Workshop Outputs

\* Plant and Equipment/Real Property Interests/Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value	1. Divisibility of the Torrens certificate of title	
Valuation Approaches and Methods		
Special Considerations	Common practice: unlicensed appraisers/assessors (designated inspectors) doing the inspection of properties ; in Malaysia this practice is instituted Recommendation: Apply the practice in PH	

Plant and Equipment

Existing Situation	Issues and Concerns	IVS 2017 Reference
BASES OF VALUE		
<p>Sec 199 (a) "Acquisition Cost" for newly-acquired machinery not yet depreciated and appraised within the year of its purchase, refers to the actual cost of the machinery to its present owner, plus the cost of transportation, handling, and installation at the present site;</p>	<ul style="list-style-type: none"> <li>The LGC does not require the Market and Income approaches</li> </ul>	<p>IVS 300 Plant and Equipment Valuation Approaches and Methods            40                      Market approach    50                      Income approach    60                      Cost approach            70</p>
<p>Sec 199 (k) "Economic Life" is the estimated period over which it is anticipated that a machinery or equipment may be profitably utilized;</p>	<p>No issue</p>	



Art 290 (o) Machinery embraces machines, equipment, mechanical contrivances, instruments, appliances or apparatus, which may or may not be attached, permanently or temporarily to the real property. Physical facilities for production, installations and appurtenant service facilities, those which are mobile, self-powered, or self-propelled and those not permanently attached to the real property shall be classified as real property provided that:

(1) They are actually, directly, and exclusively used to meet the needs of the particular industry, business, or activity; and

(2) By their very nature and purpose are designed for, or necessary to manufacturing, mining, logging, commercial, industrial, or agricultural purposes. Machinery which are of general purpose use including but not limited to office equipment, typewriters, telephone equipment, breakable or easily damaged containers (glass or cartons), microcomputers, facsimile machines, telex machines, cash dispensers, furniture and fixtures, freezers, refrigerators, display cases or racks, fruit juice or beverage automatic dispensing machines which are not directly and exclusively used to meet the needs of a particular industry, business or activity shall not be considered within the definition of machinery under this Rule. Residential machinery shall include machines, equipment, appliances or apparatus permanently attached to residential land and improvements or those immovable by destination.

- Cannot distinguish machineries from personal properties
- Are aircon ducts part of machinery or the building?
- Are escalators or lifts (Elevators) machineries or part of the building?
- Are dam reservoir part of a machinery or structure?
- For private appraisal, for dams, only the turbines and pumps are considered machineries and the ancillaries are part of the structure
- For telecommunications companies, are the tower structure a part of machinery?

IVS 300 Plant and Equipment Valuation Approaches and Methods

Sec 199 (r) "Remaining Economic Life" is the period of time expressed in years from the date of appraisal to the date when the machinery becomes valueless;

- How to treat the remaining economic life/value for repaired/refurbished machinery

Sec 199 (s) "Remaining Value" is the value corresponding to the remaining useful life of the machinery;

ARTICLE 294. Duty of Persons Acquiring Real Property or Making Improvement Thereon. — (a) All persons, natural or juridical, or their duly authorized representatives, who acquire at any time a parcel or parcels of land in any city or municipality, shall file with the provincial, city, or municipal assessor of the locality where the property is located, a sworn statement declaring the true value of subject property within sixty (60) days after the acquisition of such property as evidenced by a duly notarized or final deed of conveyance executed between the contracting parties bearing proof of registration from the registrar of deeds concerned. The sixty-day period shall commence on the date of execution of the deed of conveyance.

(c) In the case of machinery, the sixty-day period for filing the required sworn declaration of property values shall commence on the date of installation thereof as determined by the city or municipal assessor and, for this purpose, said local assessor may secure certification of the building official or engineer or other appropriate official stationed in the province, city, or municipality concerned.

- Sworn declaration of property values are not in consonance with IVS or lacks the use of the three approaches

IVS 300 Plant and Equipment Valuation Approaches and Methods



ARTICLE 301. Duty of Official Issuing Building Permit or Certificate of Registration of Machinery to Transmit Copy to Local Assessor. — (a) Any person entrusted by law with the issuance of permits for the construction, renovation, addition, repair, or any other permanent improvement on land, or those who are authorized to issue certificates of registration or installation of any machinery, including mechanical contrivances and apparatus attached to or affixed on land or any other real property, shall transmit within thirty (30) days from the date of issuance a copy of such permits or certificates to the assessor of the province, city, or municipality where the building or machinery is situated. Where it is found to be more convenient or efficient, said official may, in lieu of individual copies of the said permits or certificates, furnish the local assessor concerned with monthly summaries of issued permits or certificates within the first ten (10) days of the succeeding month. (b) Any official referred to in paragraph (a) hereof shall likewise furnish the local assessor concerned with copies of the building floor plans and/or certificates of registration or installation of other machineries which may not be permanently or temporarily attached to land or another real property but falling under the definition of the term machinery under Article 291 of this Rule and the rules and guidelines issued by DOF.

- Issued copy of permits or certificates to the assessor does not include values of machinery/ies

SEC. 224. Appraisal and Assessment of Machinery. - (a) The fair market value of a brand-new machinery shall be the acquisition cost. In all other cases, the fair market value shall be determined by dividing the remaining economic life of the machinery by its estimated economic life and multiplied by the replacement or reproduction cost.

(b) If the machinery is imported, the acquisition cost includes freight, insurance, bank and other charges, brokerage, arrastre and handling, duties and taxes, plus cost of inland transportation, handling, and installation charges at the present site. The cost in foreign currency of imported machinery shall be converted to peso cost on the basis of foreign currency exchange rates as fixed by the Central Bank.

- The LGC does not require the Market and Income approaches

IVS 300 Plant and Equipment Valuation Approaches and Methods	
Market approach	40
Income approach	50
Cost approach	60
	70

SEC. 225. Depreciation Allowance for Machinery. - For purposes of assessment, a depreciation allowance shall be made for machinery at a rate not exceeding five percent (5%) of its original cost or its replacement or reproduction cost, as the case may be, for each year of use: Provided, however, That the remaining value for all kinds of machinery shall be fixed at not less than twenty percent (20%) of such original, replacement, or reproduction cost for so long as the machinery is useful and in operation.

- The law fixes the economic life at 20 years as manifested by the maximum depreciation of 5% and does not take into consideration machines that has lesser economic life that requires higher depreciation rate.

IVS 300 Plant and Equipment Valuation Approaches and Methods

## Bases of Value

1. Private-Market
2. Banks – Market, Profit & Opinion

## Private Practice

No established data bank in the Phil.

Mostly listings are used as comparables due to scarcity of actual sales data (govt data are mostly understated)

### Bank Appraisal

Opinion Survey of value from fellow real estate practitioners are used in place of market data (Turn around time)

Each bank has its own credit policy to observe and adhere to ( Market value vs. Appraised Value)

Assessor's/BIR's value are usually limited with the approved schedule of market values

IVS 102 - 20

IVS 104 – 20

102 - 30

3. IVS 102 – 20

IVS 102 – 30

## Real Property Interests

### Valuation Approaches and Methods

**Private-**  
Market  
Cost  
Income  
**Banks-**  
Market  
Cost  
Income (seldom used)

**Private**  
**(individual)**  
No appraisal  
review is being  
conducted  
2. No standard  
formula for  
determining %  
of  
adjustments

IVS 103 – 10  
IVS 101- 20  
102 -10  
102 – 40

## Special Considerations

### Private & Government

Hardly quantifiable externalities

1. Special Purpose Bldg.

- Application of Market Resistance

2. Valuation of landlocked properties

Valuation of titled vs, untitled props.

Valuation of agr'l props.(with conversion)to other land uses

Valuation of properties with social, physical & legal impediments

Valuation of historical properties

Valuation of properties within hazard areas

Valuation of stigmatized properties

Private, bank and gov't appraisal don't strictly observe PVS

No standards for the application of market resistance, landlocked, titled vs, untitled props, agr'l props.(with conversion)to other land uses, properties with social, physical & legal impediments, historical properties, within hazard areas, stigmatized properties

Property, Ownership, and Its Modifications

Chapter I

Art. 415. The following are immovable property:

(1) Land, buildings, roads and constructions of all kinds adhered to the soil;

(2) Trees, plants, and growing fruits, while they are attached to the land or form an integral part of an immovable;

(3) Everything attached to an immovable in a fixed manner, in such a way that it cannot be separated therefrom without breaking the material or deterioration of the object;

(4) Statues, reliefs, paintings or other objects for use or ornamentation, placed in buildings or on lands by the owner of the immovable in such a manner that it reveals the intention to attach them permanently to the tenements;

(5) Machinery, receptacles, instruments or implements intended by the owner of the tenement for an industry or works which may be carried on in a building or on a piece of land, and which tend directly to meet the needs of the said industry or works;

(6) Animal houses, pigeon-houses, beehives, fish ponds or breeding places of similar nature, in case their owner has placed them or preserves them with the intention to have them permanently attached to the land, and forming a permanent part of it; the animals in these places are included;

(7) Fertilizer actually used on a piece of land;

(8) Mines, quarries, and slag dumps, while the matter thereof forms part of the bed, and waters either running or stagnant;

(9) Docks and structures which, though floating, are intended by their nature and object to remain at a fixed place on a river, lake, or coast;

(10) Contracts for public works, and servitudes and other real rights over immovable property. (224a)

Should be considered in the PVS

Where deem appropriate

## Development Property

Existing Situation	Issues and Concerns	IVS 2017 Reference
<b>BASES OF VALUE</b>		
<p>SEC. 217. Actual Use of Real Property as Basis for Assessment. - Real property shall be classified, valued and assessed on the basis of its actual use regardless of where located, whoever owns it, and whoever uses it.</p>	<ul style="list-style-type: none"> <li>• Not necessarily in conformity with highest and best use</li> <li>• Approved Schedule of Market Values are used as basis for valuation</li> </ul>	<p>IVS 410 Development Property Contents Paragraphs Bases of Value 30 Valuation Approaches and Methods 40</p>
<p>Private</p> <p>1. Cost of development</p>	<ul style="list-style-type: none"> <li>• No database or insufficient data</li> <li>• Hypothetical development approach is usually employed</li> </ul>	

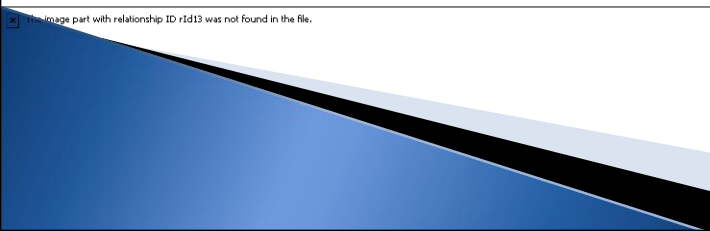


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# Workshop Outputs

## Group 3: Financial Instruments

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value	<p>I. Explanation in layman's term highly technical terminologies and computations re: financial instruments such as:</p> <ul style="list-style-type: none"><li>a. equity like stocks</li><li>b. debts<ul style="list-style-type: none"><li>-bonds</li></ul></li><li>c. receivables/payables</li></ul> <p>Note: for purposes of acquisitions, mergers, sales of businesses</p> <p>II. Reliability of data submitted by clients</p>	IVS 500

# Workshop Outputs

## Group 3: FINANCIAL INSTRUMENTS

Existing Situation	Issues and Concerns	IVS 2017 Reference
Bases of Value	III. Availability of on-time reliable data  IV. Difficulty in validating data  V Lack of benchmarks as basis for analysis	IVS 500
Valuation Approaches and Methods	I. Income Approach - *Computation of DCF particularly on equity premium  II. Market Approach- *Industry Rate **Insider Trading Information	IVS 500
Special Considerations	I.	

# Workshop Outputs

## Group 3: FINANCIAL INSTRUMENTS

Existing Situation	Issues and Concerns	IVS 2017 Reference
Special Considerations	<ol style="list-style-type: none"><li data-bbox="666 332 1238 489">I. Recognition of standards used consistent to all government agencies</li><li data-bbox="666 561 1151 661">II. Update of Philippine Valuation Standards</li><li data-bbox="666 732 1282 889">III. Non-availability of updated national database on real estate transactions</li><li data-bbox="666 961 1141 1118">IV. Strict monitoring on Philippine Valuation Standards</li></ol>	