

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

HB No. 401



Introduced by Rep. Roseller L. Barinaga

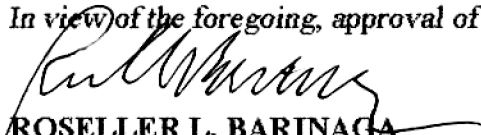
EXPLANATORY NOTE

Studies conducted on local finance showed that the idle land tax has not been implemented by local government units (LGUs). The idle land tax was originally authorized as a national imposition under PD No. 464 (Real Property Tax Code) way back in 1974. It was never implemented due to certain operational difficulties which were attempted to be resolved by Presidential Decree No. 1446 in 1976. With the approval of the Local Government Code (LGC), the authority to impose the tax was transferred to LGUs but they still failed to exercise this authority for one reason or another. It is believed that if the national government would impose the idle land tax and necessary amendments on the coverage and definition of idle lands are made, local officials will most likely implement the same.

The idle land tax may be used to support and complement the rural/urban land reform programs of the government. Aside from its potential to generate revenue, it may also be designed as a toll to attain certain non-fiscal objectives of the government such as to discourage land speculation and to stimulate land development. The tax effectively penalized the continued holding of land without making it productive and will thus encourage the optimal utilization of this scarce national resource.

The extent of utilization of land will mean a relation between the value of improvements to the value of the land. The value of improvement should at least be equal to thirty percent (30%) of the value of land in order that the land be considered not idle. The idle land tax will be based on the market or zonal value of the property, whichever is higher. The area requirement is also made more realistic by considering the average size of lands in the country. The tax shall be a national imposition and shall be collected by the local government units. Thus, concerned LGUs shall share in the revenues which can be derived from the tax.

In view of the foregoing, approval of this bill is strongly recommended.


ROSELLER L. BARINAGA
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Zamboanga del Norte

THIRTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
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AN ACT
PROVIDING FOR THE IMPOSITION BY THE NATIONAL GOVERNMENT OF AN
IDLE LAND TAX, REPEALING FOR THE PURPOSE THE PERTINENT PROVISIONS
OF REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL
GOVERNMENT CODE OF 1991

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

SECTION 1. *Statement of Policy.* It is hereby declared a policy of the State to promote the optimal utilization of land and discourage its speculative holding.

SEC. 2. *Imposition of Tax.* An idle tax is hereby imposed by the national government on the landowner at the rate of ten percent (10%) based on the zonal value or the fair market value of the land, whichever is higher.

The zonal value shall be determined on the basis of the schedule of approved zonal values of real properties as determined by the Commissioner of Internal Revenue. Where no zonal value has been prescribed for the particular land, the zonal value prescribed for a similar land located in an adjacent area or barangay within the city or municipality shall be used.

The fair market value shall be the market value determined on the basis of the applicable schedule of market values issued by the city or municipal assessor for tax declaration purposes. Where no market value has been fixed in the particular locality, the schedule of market values of land of similar conditions within the city or municipality located in an adjacent area or barangay shall be used.

SEC. 3. *Definition of Idle Land.* An idle land shall be defined to include the following:

(a) *Agricultural land more than one and a half (1 ½) hectare in area, suitable for cultivation, or production of any crop, or any specific agricultural purposes such as dairying,*

inland fishing, and other agricultural uses one-half, (1/2) of which remain uncultivated or unimproved by the owner of the property or person having legal interest therein.

An agricultural land planted to permanent or perennial crops with at least fifty (50) trees to a hectare shall not be considered an idle land. An agricultural land actually used for grazing as certified by the Department of Agriculture shall likewise not be considered as idle land.

(b) Land, other than agricultural, located in Metro Manila and other highly urbanized areas, more than two hundred square meters (200 sq. m.) in area, the value of improvement thereon is less than thirty percent (30%) of the value of the land;

(c) Land, other than agricultural, located in Metro Manila and other highly urbanized areas, more than five hundred square meters (500 sq. m.) in area, the value of improvement thereon is less than thirty percent (30%) of the value of the land;

SEC. 4. *Idle Land Exempt from the Idle Land Tax.* The idle land tax shall not apply to the following:

The respective Provincial, City or Municipal Assessor shall assess, make and keep updated records of all idle lands located within his area of jurisdiction, and for purposes of collection shall furnish a copy thereof to the Provincial or City Treasurer. The listing and assessment of idle lands as well as the notification of landowners shall be completed within six (6) months after the effectivity of this Act. The assessment of land for idle land tax purposes shall be in accordance with the land use plan or zoning ordinance of the local government unit. In the absence of a local land use plan or zoning ordinance, the Assessor's land classification shall be used. On the basis of such records, the Provincial or City Treasurer shall notify the owner of the property or person having legal interest therein of the imposition of the idle land tax. The updating or reassessment of idle lands shall coincide with the triennial general revision for real property tax purposes.

SEC. 5. *Disposition of Proceeds from the Idle Land Tax.* Revenues realized from the imposition of the idle land tax shall be shared between the national government and local government units where the idle lands are located, as follows:

Sixty percent (60%) shall accrue to the national government

Forty percent (40%) shall accrue to the local government units

The forty percent (40%) share of local government units shall be allocated based on their contribution to the idle land tax revenues. The disposition of proceeds among local government units shall be as follows:

(a) In the case of provinces:

Thirty-five percent (35%) shall accrue to the general fund of the province;

Forty percent (40%) shall accrue to the general fund of the municipality where the idle land is located; and

Twenty-five percent (25%) shall accrue to the barangay where the idle land is located.

(b) In the case of cities:

Seventy percent (70%) shall accrue to the general fund of the city; and

Thirty percent (30%) shall accrue to the barangay where the idle land is located.

SEC. 6. *Rules and Regulations.* The Secretary of Finance, in coordination with the Secretary of the Interior and Local Government, shall promulgate the necessary rules and regulations to effectively implement the provisions of this Act.

SEC. 7. *Repealing Clause.* Sections 236, 237 and 238 of Republic Act No. 7160, otherwise known as the Local Government Code of 1991 are hereby repealed. All other laws, decrees, orders and rules and regulations which are contrary to or inconsistent with this Act are hereby repealed or amended accordingly.

SEC. 8. *Separability Clause.* If, for any reason or reasons, any part of provision of this Act shall be held unconstitutional or invalid, other parts or provisions thereof which are not affected thereby shall continue to be in full force and effect.

SEC. 9. *Effectivity.* This Act shall take effect fifteen (15) days following its publication in the *Official Gazette* or any newspaper of general circulation.

Approved.