

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 1756

Introduced by: **REP. PROSPERO A. PICHAY, JR.**

EXPLANATORY NOTE

Land is as essential to man as the air he breathes. Without it, he cannot live long enough. Without it, he will continually gasp for it. Without it, he is forever chained to the bondage of servitude to those who have.

Land is indispensable to man as development is to a nation. For centuries, wars have been fought, lives forsaken, dignity wagered because man cannot part with the land he and his forbears were born to and has lived on.

It is in this context that the Comprehensive Land Reform Law was enacted in 1988. Republic Act 6657 was crafted to promote the welfare of the landless farmers and farm workers by providing them with the "opportunity to enhance their dignity and improve the quality of their lives through greater productivity of agricultural lands." It recognizes the right of the landless farmers to own directly or collectively the lands they till or receive a just share of the fruits thereof.

Ten years of implementation of the law however has not drawn a promising picture of land redistribution in the country. In fact, it is riddled with land conversion cases, which is anathema to the policy of the State to "encourage and undertake the just distribution of all agricultural lands" and to raise productivity of the agricultural sector. According to the Department of Agrarian Reform, land conversion cases have increased from 4,754 hectares in 1991 to 46,929 hectares in 1996. It is estimated that if this trend continues, some 375,436 hectares would have been converted into non-agricultural use by year 2001.

It is lamentable that the Philippines whose economy continues to be agriculture-based is converting agricultural lands faster than it can develop its economy. The United States, the most industrialized country in the world at that, took pains to preserve its agricultural lands on the principle that its national food security wholly depends on it.

This bill seeks to impose a tax on all agricultural lands converted into non-agricultural uses based on the current market value or current zonal value, whichever

is higher at the time of approval of the conversion, provided that, lands declared as critical for food production or established as irrigable or irrigated or have been classified as protected areas for agriculture should be deemed as non-negotiable for conversion.

Aside from its fundamental objective to arrest the increasing trend of land conversion in the countryside, this proposed measure will also bring in more revenues for the cash-strapped government as it imposes the land conversion tax at the rate of fifteen percent (15%) on all agricultural lands converted for residential purposes and thirty percent (30%) on all agricultural lands converted for commercial, industrial and other non-agricultural purposes.

The proceeds from the tax shall be distributed as follows:

(a) sixty percent (60%) shall accrue to the Agrarian Reform Fund of the Department of Agrarian Reform;

(b) where the converted land is located:

1. twenty percent (20%) shall accrue to the general fund of the barangay where the converted land is located, and
2. twenty percent (20%) shall accrue to the municipality or city where the converted land is located.

In addition, an agricultural land used as a site for the construction of a dwelling unit for the family of a landowner, or farmer beneficiary, or set aside as home lot shall be exempted from the tax provided that the area covered shall not exceed one thousand (1,000) square meters.

In view of the urgency of this bill, its immediate approval is thus earnestly sought.

PROSPERO A. PICHAY, JR.

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Introduced by: **REP. PROSPERO A. PICHAY, JR.**

AN ACT
IMPOSING A LAND CONVERSION TAX, AMENDING FOR THE PURPOSE THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED

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

SECTION 1. A new title to be known as Title VIII is hereby inserted in the National Internal Revenue Code, as amended, to read as follows:

"TITLE VIII – LAND CONVERSION TAX"

SEC. 2. A new section to be known as Section 202 is hereby inserted in the National Internal Revenue Code, as amended, to read as follows:

"SEC. 202. (A) *IN GENERAL.* – THERE SHALL BE LEVIED, ASSESSED AND COLLECTED ON ALL AGRICULTURAL LANDS CONVERTED INTO NON-AGRICULTURAL USES BASED ON THE CURRENT MARKET VALUE, OR, CURRENT ZONAL VALUE AS DETERMINED BY THE PROVINCIAL AND CITY ASSESSORS, WHICHEVER IS HIGHER AT THE TIME OF APPROVAL OF THE CONVERSION; *PROVIDED, THAT* SUCH LANDS DECLARED AS CRITICAL FOR FOOD PRODUCTION OR ESTABLISHED AS IRRIGABLE OR IRRIGATED OR HAVE BEEN CLASSIFIED AS PROTECTED AREAS FOR AGRICULTURE SHOULD BE DEEMED AS NON-NEGOTIABLE FOR CONVERSION.

THE MARKET VALUE SHALL BE COMPUTED AS THE AVERAGE SELLING PRICE PER SQUARE METER OF ADJACENT RESIDENTIAL, COMMERCIAL OR INDUSTRIAL LANDS WITHIN THE CITY OR MUNICIPALITY MULTIPLIED BY ONE HUNDRED FIFTY PERCENT (150 %).

"(B) *RATE OF TAX.* – THE LAND CONVERSION TAX SHALL BE IMPOSED AT THE RATE OF FIFTEEN PERCENT (15%) ON ALL AGRICULTURAL LANDS CONVERTED FOR RESIDENTIAL PURPOSES AND THIRTY PERCENT (30%) ON ALL AGRICULTURAL LANDS CONVERTED FOR COMMERCIAL, INDUSTRIAL AND OTHER NON-AGRICULTURAL PURPOSES.

"(C) *PERSON LIABLE TO PAY THE TAX AND THE TIME OF PAYMENT.* – THE TAX SHALL BE PAID BY ANY PERSON, NATURAL OR JUDICIAL, OWNING OR ADMINISTERING THE REAL PROPERTY OR HAVING A LEGAL INTEREST THEREIN: *PROVIDED, HOWEVER,* THAT IN THE CASE OF UNDIVIDED PROPERTY SUBJECT OF INHERITANCE, THE HEIR, DEVISEE OR CO-OWNER SHALL BE LIABLE SEVERALLY OR PROPORTIONATELY FOR ALL OBLIGATIONS IMPOSED HEREIN AND THE PAYMENT THEREOF.

"IT SHALL BE PAID WITHIN THIRTY (30) DAYS FROM DATE OF ISSUANCE OF THE CONVERSION ORDER BY THE DEPARTMENT OF AGRARIAN REFORM AT THE LOCAL REVENUE DISTRICT OFFICE THAT HAS JURISDICTION OVER THE PROPERTY. NON-PAYMENT OF THE TAX HEREIN IMPOSED UPON THE EXPIRATION OF THE PERIOD PROVIDED UNDER THIS SECTION SHALL SUBJECT THE TAXPAYER TO THE PENALTY AND INTEREST PRESCRIBED UNDER SECTIONS 248 AND 249 OF THIS CODE.

"(D) *DISTRIBUTION OF PROCEEDS.* – PROCEEDS FROM THE TAX SHALL BE DISTRIBUTED AS FOLLOWS:

(A) SIXTY PERCENT (60%) SHALL ACCRUE TO THE AGRARIAN REFORM FUND OF THE DEPARTMENT OF AGRARIAN REFORM;

(B) WHERE THE CONVERTED LAND IS LOCATED:

(I) TWENTY PERCENT (20%) SHALL ACCRUE TO THE GENERAL FUND OF THE BARANGAY WHERE THE CONVERTED LAND IS LOCATED, AND

(II) TWENTY PERCENT (20%) SHALL ACCRUE TO THE MUNICIPALITY OR CITY WHERE THE CONVERTED LAND IS LOCATED.

(E) *EXEMPTION FROM THE LAND CONVERSION TAX.* – AGRICULTURAL LAND USED AS A SITE FOR THE CONSTRUCTION OF DWELLING UNITS FOR THE FAMILY OF A LANDOWNER, OR FARMER BENEFICIARY, OR SET ASIDE AS HOME LOT, SHALL BE EXEMPTED FROM THE TAX IMPOSED IN THIS TITLE; PROVIDED, THAT, THE AREA COVERED SHALL NOT EXCEED ONE THOUSAND (1,000) SQUARE METERS."

SEC. 3. Subsequent titles and sections of the National Internal Revenue Code and all references thereto are hereby renumbered accordingly.

SEC. 4. The Secretary of Finance, in coordination with the Secretary of the Interior and Local Government and the Secretary of Agrarian Reform, shall issue the necessary rules and regulations for the effective implementation of this Act.

SEC. 5. This Act shall take effect fifteen days after its publication in the Official Gazette or in at least two (2) national newspapers of general circulation whichever comes earlier.

Approved,