Palay output target set at 20.46 MMT in 2025

THE Department of Agriculture (DA) said on Monday that it is expecting the harvest of palay (unmilled rice) this year to exceed 20 million metric tons (MMT), with officials seeking to fund a rice productivity program for an additional P10 billion.

In a statement, Agriculture Secretary Francisco P. Tiu Laurel, Jr. said the P10 billion will fund strategies to hit a palay production target of 20.46 MMT this year.

If the target is achieved, it would represent a 6% increase from the 19.3 MMT estimate for 2024 production, and a 1.9% rise from the record 20.06 MMT posted in 2023.

"We're now hopeful we can do better than 2023," Mr. Laurel added.

The DA has said that the decline in production in 2024 was due to the dry spell accompanying El Niño, plus further crop damage caused by flooding during the La Niña episode late last year.

Farm damage caused by El Niño stood at P15.3 billion, according to the DA's final estimate. Damage to rice amounted to P5.93 billion or 38.8% of the total. Lost volume was estimated at 330,717 MT, across 109,481 hectares of farmland.

The DA estimated that agricultural damage due to typhoons Kristine and Leon, which traversed the Philippines in the fourth quarter, at P9.81 billion.

The DA said record rice imports this year driven by weak palay production and the lowering of tariffs on imported rice.

"Production is directly correlated to the volume of imports. Last year, our productivity dropped to 19.3 MMT, (so) our imports shot up to 4.78 MMT," DA spokesperson Arnel V. de Mesa said.

Tariffs on imported rice were slashed to 15% from the previous 35% until 2028 by Executive Order No. 62.

The DA has tasked the National Food Authority (NFA) to continue its "aggressive" rice procurement program to build up grain reserves.

The goal is for the NFA "to fully stock its warehouses for the first time in years, which is a key development for the country's rice security," the DA added.

Mr. Laurel added that the NFA is seeking to procure a minimum of 300,000 MT this year.

NFA procurement for 2024 amounted to 300,000 MT or about 6 million 50-kilogram bags of palay.

"This strategic procurement helped stabilize rice supply despite challenges in local production," the DA said.

Republic Act No. 12708 or the Agricultural Tariffication Act raised that rice buffer stock requirement of the NFA to 15 days of national consumption from the previous nine days. — **Adrian H. Halili**

PAGCOR reduces e-games fee to entice illegal operators to go legit

THE Philippine Amusement and Gaming Corp. (PAGCOR) further reduced the fee paid by electronic games (e-games) operators to 30% of revenue to further encourage underground gaming operators to become licensees.

The fee had earlier been reduced to 35% in April.

In a statement, PAGCOR Chairman and Chief Executive Officer Alejandro H. Tengco said that the rate on e-games operated by integrated resorts was also slashed to 25% "to compensate for overhead expenses incurred by bricks-and-mortar operators."

"By lowering our share rates, PAGCOR is creating a more favorable regulatory environment by encouraging unregistered online gaming operators to transition to the legal market," he added.

MICHAL PARZUCHOWSKI-UNSPLASH

Mr. Tengco said that the rate cuts allow operators to keep more funds for marketing and ensure continued growth.

He said the gradual cuts, initiated in 2023, come after e-games surpassed their P100-billion gross gaming revenue (GGR) target as early as September last year.

PAGCOR used to charge 50% of GGR from licensees, which slowed expansion.

"The gradual reduction of share rates has significantly contributed to the growth of the e-games sector, which has become a key driver of gaming industry growth," Mr. Tengco said.

The regulator said previous cuts increased the number of licensed e-games operators after former unlicensed operators decided to embrace regulation.

To date, PAGCOR has issued 1,188 licenses for on-site and online gaming, up 13.57% from the 1,046 licenses issued in 2023.

The number of accredited gaming service providers has increased to 174 in 2024 from 49 a year earlier.

"We expect this trend to continue, and we are optimistic that the best is yet to come for the e-games sector," he said. — **Aubrey Rose A. Inosante**

PHL, Thailand sign 5-year tourism cooperation deal

THE Department of Tourism (DoT) of the Philippines and the Thai Ministry of Tourism and Sports have signed an agreement to help develop cultural and medical tourism in the Philippines.

In a statement on Monday, the DoT said the five-year deal was signed on Jan. 19 in Johor Bahru, Malaysia.

"For the Philippines, this collaboration provides an exciting opportunity to tap into Thailand's remarkable success in attracting visitors, particularly in areas such as cultural tourism and medical tourism," Tourism Secretary Ma. Christina G. Frasco said.

"We can benefit from Thailand's robust arrival numbers, its internationally recognized cultural heritage, and world-class medical services, which will undoubtedly enhance our own tourism offerings," she added.

Meanwhile, she said Thailand can tap Philippine expertise in dive tourism and English-language training for tourism workers.

The agreement, set to run until 2030, conforms to the agreement of cooperation initially signed by the two countries in 1993.

The two sides have promised to exchange successful strategies in sustainable tourism, cultural heritage tourism, tourism product development, and domestic tourism development.

Both countries will also organize exchanges of officials and delegations for capacity building and exchange of knowledge. — **Justine Irish D. Tabile**

JAKUB KAPUSNAK-UNSPLASH

Small egg producers targeted in livelihood support program

THE Department of Agriculture (DA) said it set aside P85.19 million to establish a network of egg production facilities for small-scale growers.

In Memorandum Order No. 2, the DA said the program will fund the construction of small-scale egg production facilities as a Livelihood Opportunities and Viable Enterprise project.

"The Chicken Layer Project involves the establishment of small egg production facilities. This project will provide an immediate source of food and livelihood and immediate returns on investment which will redound to food security," the DA said.

It added that the project will be overseen by regional field offices, in coordination with the Bureau of Animal Industry, the National Livestock Program, the Agricultural Training Institute, and Local Government Units.

The DA'S target market for the program is farmers, community groups, and Farmer Cooperatives and Associations.

The DA said beneficiaries will receive modules, including three-tier battery layer cages, vitamins, medication, disinfectant, 48 ready-to-lay pullets, feed, veterinary supplies, and a shed.

The project has a goal of 11 beneficiaries per province. — **Adrian H. Halili**

OPINION

Real property valuation reform

LET'S TALK TAX
NOLAN REDJI D. DOMINGO

On Dec. 10, the Department of Finance approved and issued the Implementing Rules and Regulations (IRR) of Republic Act No. 12001, otherwise known as the Real Property Valuation and Assessment Reform Act (RPVARA). RPVARA seeks to promote just, equitable, and nationally consistent real property valuation based on international standards, adopting market value as a single base for real property valuation for tax assessment and other transactions. It also aims to promote fiscal autonomy by enhancing the local government units' (LGUs) capacity to generate revenue from real property and foster transparency and innovation through the provision of a comprehensive and up-to-date electronic database of all real property transactions.

Real property is one of the most valuable and reliable assets a person can own. Not only does it provide financial security, but it also protects a person's purchasing power from inflation due to the general tendency of real property to appreciate over time. Real property also provides the opportunity to create a legacy by passing it on to future generations. Evidently, the recent implementation of the RPVARA will have an impact on the value of a person's real property. The recent signing of the IRR affords us the opportunity to look more deeply into the IRR. Below are the salient provisions of the law and IRR.

SALIENT PROVISIONS

A. Role of the BLGF and the creation of the Real Property Valuation Service (RPVS)

The RPVARA designates the Bureau of Local Government Finance (BLGF) as the primary agency to implement the law. To accommodate the expanded functions and responsibilities of the BLGF, the RPVARA reorganized the BLGF and created the RPVS within the organizational structure of the BLGF. It also created the Central Consultative Committee that will serve as the forum on matters pertaining to the setting and adoption of international valuation standards and other related concerns on real property valuation. The BLGF will have the following main functions under the RPVARA:

i. Development and maintenance of the Philippine Valuation Standards (PVS);

ii. Review and implementation of the SMVs;

iii. Provide leadership and policy direction to LGUs on real property valuation for taxation; and

iv. Develop and maintain an electronic database of real property transactions.

B. Establishment of a Single Valuation Base through the development of the PVS and SMV

The RPVARA and its IRR seek to reform the methods in which real property values are determined. The current system uses multiple valuation bases, which often results in confusion in determining the tax base for real property taxes. To address this issue, the RPVARA provides for a single valuation base for taxation and benchmarking purposes.

The RPVARA tasks the BLGF with developing, maintaining, and implementing the Philippine Valuation Standards (PVS) to govern the valuation of real property in the country. The PVS conforms with international valuation standards and principles and will be subject to review every three years or as often as necessary. The IRR further emphasizes that the PVS must ensure uniform application across all LGUs.

Also, the PVS will serve as the guide and basis for the assessors to create the Schedule of Market Values (SMVs) for the various classes of real property located within their respective LGUs. The assessors will be given two years from the implementation of RPVARA to update their respective SMVs, subject to general revision every three years thereafter.

The proposed SMV is to be published at least two weeks prior to the two mandatory public consultations. Thereafter, the proposed SMVs will be submitted to the BLGF Regional Office for review. Should the proposed SMV be acceptable to the BLGF Regional Office, it will endorse the SMV to the head of the BLGF, which, if compliant with the latest PVS, will be subsequently certified by the Secretary of Finance. Otherwise, SMVs will be remanded to the assessors for revision to ensure conformity with the latest PVS.

C. Usage of SMV

The property values stated in the SMVs will be used by the government for the following purposes as provided for by the RPVARA and expounded upon by its IRR:

i. As a basis for the general revision of the assessment and property classification by the local assessor;

ii. As a basis for the determination of real property-related taxes;

iii. As a basis for the computation of internal revenue taxes (Income Tax / Capital Gains Tax) for real property transactions;

iv. As a benchmark for the appraisal of real property for purposes of public land disposition, land development for housing, township and infrastructure, and mortgage to secure the performance of obligations, among others;

v. As a benchmark for the appraisal of real property for purposes of letter-offer in negotiated sale and the payment of just compensation in expropriation cases.

D. Regular SMV updates and penal provisions

Another issue encountered in our current system of valuation is the outdated zonal and market valuations. Currently, up to 60% of LGUs have outdated property valuations. In order to address this issue, one of the main features of the RPVARA is the three-year review. It should, however, be noted that this feature is not particularly novel to the RPVARA since the regular update of property values is likewise a requirement under the Local Government Code (LGC). Nonetheless, in order to ensure that SMVs are updated every three years, the RPVARA has opted to impose penalties on government employees and officials who fail to comply with its provisions. Should an LGU fail to conduct its general revision of the SMV every three years, the offending government official is subject to a fine equivalent to one to six months of his basic salary or by suspension from government service for not more than 1 year. Through these penal provisions, it is the hope that the LGUs are compelled to comply with the SMV revisions.

E. Electronic database of all real property transactions

In order to assist LGUs, the RPVARA has likewise required the development of a Real Property Information System (RPIS), an electronic database of the sale, exchange, lease, mortgage, donation, transfer, and all other real property transactions and declarations. The electronic database will be developed by the BLGF in collaboration with LGUs and the Department of Information and Communications Technology (DICT). In conjunction with this, the RPVARA likewise requires all LGUs to automate their real property tax administration operations. Once implemented, it should, in theory, be easier for the LGU to continually revise its SMVs.

F. Cap of 6% on Real Property Tax hikes

In order to avoid potential issues arising from the sudden spike in the value of real properties, the RPVARA imposes a cap of 6% on the increase of real property taxes in the first year of effectivity of the SMV. This would deter speculation on housing, among others.

Furthermore, the RPVARA likewise authorizes the LGUs to enact an ordinance imposing a cap on the increase in real property taxes for succeeding years, thereby giving the LGUs the opportunity to adjust the cap in a manner more suited to local economic circumstances.

G. Amnesty

Finally, one last important feature of the RPVARA is the grant of amnesty for the penalties, surcharges, and interests from all unpaid real property taxes. The amnesty may be availed of by the delinquent property owner within two 2 years from the effectivity of the RPVARA or until July 5, 2026, and the delinquent real property owner has the option of one-time payment or installment payments of delinquent real property taxes.

Note, however, the amnesty program under the RPVAR Act does not extend to the following properties: delinquent real properties that have been disposed of at public auction to satisfy real property tax delinquencies, real properties with tax delinquencies that are being paid pursuant to a compromise agreement and real properties that are the subject of pending cases in court for real property tax delinquencies.

The RPVARA and its IRR offer various benefits aimed at improving the property valuation system. Through the establishment of the PVS, the RPVARA has ensured that property valuation nationwide is consistent, fair, and transparent, which in turn reduces subjectivity and potential bias in assessments. By providing a more accurate valuation of real property, the RPVARA has improved the capacity of the LGUs to generate taxes, thereby promoting their fiscal autonomy. Finally, due to increased trust in the government's valuation of property, private property owners will have the capacity to unlock the true value of their assets and therefore price their commercial transactions accordingly.

NOLAN REDJI D. DOMINGO is an associate of the Tax Advisory & Compliance Practice Area of P&A Grant Thornton.
Tweet us: @GrantThorntonPH
Facebook: P&A Grant Thornton,
pagrantthornton@ph.gt.com
www.grantthornton.com.ph