

THIRTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

04 JUN 30 P4:35

SENATE

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Introduced by Senator Osmeña III

EXPLANATORY NOTE

The National Statistics Office reports that in the year 2000, family spending in the Philippines averaged at ₱118,002, of which 14.2% or ₱16,756 per year or an equivalent of ₱1,270 per month of was allocated for housing. Out of a total of 12.5 million families, 28.4% involving some 4.3.8 million families fell below the poverty threshold of ₱11,605 per year.


The acquisition of housing units, no matter how liberal the terms, is clearly beyond the budget of even the average household. This is one of the reasons for the unsustainability of the country's mass housing programs that target the acquisition of housing units by lower income households, and the high default rates among the accounts funded or guaranteed by the National Home Mortgage Financing Corporation.

In the wake of the disastrous results of the government's mass housing programs, policies that would promote the availability of rental dwelling units would appear to be the more market oriented, cost-effective and viable alternative.

This bill seeks to stimulate the market for rental dwelling units through the following provisions:

- a. Exemption of rental income from dwelling houses and lots from the Value-Added Tax (VAT) under the existing law;
- b. Exemption of dwelling houses and lots from any increases in real estate tax imposed by local government units based on taxing powers under R.A. 7160 otherwise known as the Local Government Code;
- c. Granting of tax credits for 25% for gross rentals derived from units covered by rental regulation up to December 31, 1997 pursuant to RA 7644 and five years thereafter provided the rates are not increased by more than 20% for each calendar year even after the end of rental regulation using the base rental rate of December 31, 1977 but in no case more than ₱40,000 per annum per unit;
- d. Granting of tax credits for 25% of the contractor's fee, where a contractor-developer constructs dwelling units for private housing rentals; and
- e. Entitlement to socialized housing financing of dwelling units for rent at reasonable affordable rates for original construction, repair or conversion from private dwelling units into residential apartments.

In view of the foregoing, passage of this bill is earnestly requested.


SERGIO OSMEÑA III
Senator

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OFFICE OF THE SECRETARY

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**AN ACT
TO PROVIDE INCENTIVES FOR THE PRIVATE SECTOR TO UNDERTAKE RENTAL
RESIDENTIAL HOUSING AT RATES AFFORDABLE BY LOW AND MIDDLE-
INCOME FAMILIES, AND FOR OTHER PURPOSES**

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

1 **SECTION 1. *Title.*** -- This Act shall be known as "**Incentives for Rental**
2 **Residential Housing by the Private Sector Act.**"

3 **Sec. 2. *Declaration of Policy.*** -- It is hereby declared the policy of the
4 State to provide the basic need of shelter for the homeless low and middle-
5 income families with the cooperation of and by providing incentives for the private
6 sector.

7 Towards the attainment of this policy, incentives for the private sector are
8 herein provided to promote, accelerate and enhance continuity of the public and
9 private sectors' cooperation to provide residential housing for rent at reasonable
10 affordable rates.

11 **Sec. 3. *Incentives for Rental Housing by the Private Sector.*** -- Any
12 law to the contrary notwithstanding, the following incentives are hereby granted
13 to encourage, promote and support the private sector to provide rental residential
14 housing for low and middle income families:

15 (1) Exemption from the Value-Added Tax on lease of properties of the
16 rentals from dwelling units covered by RA 7644 and such dwelling

1 units which are hereinafter leased for residential housing of low and
2 middle income families by renovation of existing units into rental
3 apartments or by construction of new dwelling units for residential
4 housing of low or middle-income families;

5 (2) Exemption from any local government taxes on real estate over the
6 rates of levy imposed as of the effectivity of this Act under the Local
7 Government Code of 1991 (RA 7160), to the extent of the tax increase
8 arising from the increase in the assessed value of the property from
9 and after the effectivity of this Act: *Provided*, That the real estate and
10 dwelling units constructed thereon are covered by RA 7644, the rental
11 regulation law, up to December 31, 1997: *Provided, further*, That the
12 exception shall continue for five (5) years after December 31, 1997 for
13 as long as the rental rates imposed for the calendar years after 1997
14 are those provided for under RA 7644 with an increase of not more
15 than 20 percent (20%), cumulative and compounded based on the
16 actual rate imposed as of December 31, 1997, but not more than
17 P40,000 per annum per unit;

18 (3) Tax credit of twenty-five percent (25%) of the gross rentals for five
19 years following the completion of the new or renovated housing units
20 for rental housing for low and middle income families earning less than
21 P100,00 per annum at rental rates of not more than P40,000 per
22 annum per unit and the right to deduct the cost of necessary repairs of
23 the rental units from gross income derived from rentals of the units;

24 (4) Tax credit up to twenty-five percent (25%) of the contractor-
25 developer's professional fees earned from construction of new units or
26 renovation of existing units into apartment dwelling units for rental
27 residential housing for middle and low income families earning less
28 than P100,000 per annum and to be rented at not more than P40,000
29 per annum per unit; and

1 (5) Entitlement to financing for the necessary repairs to preserve existing
2 rental units, renovation of existing units to apartments for rental
3 housing, or the construction of new units for rental housing under the
4 developmental financing provision of RA 6846, the *Abot-Kaya*
5 *Pabahay Fund*, or the socialized housing program under Sec.22 (a) of
6 RA 7660, the Documentary Stamp Tax law, or such other Housing
7 Financing for low or middle income socialized housing programs
8 provided by existing law.

9 **Sec. 4. Rules and Regulations; Monitoring of Implementation. --**

10 Rules and regulations to implement this Act shall be promulgated by the Housing
11 Urban Development Coordinating Council in consultation with the Department of
12 Finance in cases of tax exemption and tax credits, and with the endorsement of
13 national housing agencies with respect to programs for social housing and urban
14 development.

15 The implementation of this Act shall be monitored by the Housing Urban
16 Development Coordinating Council and an annual report thereof submitted to the
17 President and to Congress.

18 **Sec. 5 Effectivity. --** This Act shall take effect fifteen (15) days after its
19 complete publication in at least two (2) national newspapers of general
20 circulation.

21 *Approved,*