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

SENATE S.B. No. 901 A RECEIVED BY:

Introduced by Senator Jinggoy Ejercito Estrada

EXPLANATORY NOTE

The Housing Finance Program is targetted to meet about one-third of the national housing needs. The private sector's investment cooperation is needed to make up the two-thirds of the housing needs which will not be met by government programs for the next five years. The middle and low income level families earning less than One hundred thousand pesos (P100,OOO.OO) per annum can not all purchase dwelling units, whether socialized *or* economic. Rental housing is a major alternative.

Clearly there is a need for dwelling units for rent at reasonable and affordable rates. For the private sector to invest in housing construction which will be rented to the low and middle-income level families at reasonable and affordable rates, a program package of incentives is needed.

Incentives to promote rental facilities by the private sector are part of the overall program of government to provide the five basic needs of our people at affordable rates by the families whose incomes are below the poverty threshold and those without housing and who belong to the lower and-middle income families falling within the bottom thirty percent (30%) and middle thirty percent (30%) of national income levels. For urban areas, where rental of dwelling units are most needed, the average family income per annum is Forty thousand four hundred eight pesos (P40,408 for the country and Sixty thousand three hundred thirty pesos (P60,330.00) for Metropolitan Manila at 1988 levels.

The Housing Finance Act, now pending in the Senate proposes the use of public resources ove a period of five (5) years for public or private medium- rise housing in high density urban areas for lease or ownership. While this program is being implemented, there is still a gap in the supply of rental housing. The average housing need to be met by the Housing Finance Act is only one-third of total need for dwelling units. At least one- third more will have to come from resources of the private sector. This means that an average of Two hundred fifteen thousand (215,000) units per year for 1994-1998 will have to be provided by private sector resources, particularly for rental dwelling units for those earning the average national income of Forty thousand pesos (P40,000.00) and for those earning Sixty thousand pesos (P60,000.00) in urban areas.

This proposal provides incentives for the private sector to go into rental housing. These incentives include:

- 1. Exemption of the rentals of dwelling units and from the value-added tax under existing law.
 - 2. Exemption of the dwelling units and the any increase in real estate tax

imposed, by government units based on taxing powers under Government Code, R. A. No. 7160.

- 3. Tax credit of twenty-Five percent (25%) for gross rentals derived from units covered by rental regulation up to December 31, 1997 pursuant to R.A. No. 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, 1997 but in no case more than P40,000.00 per annum per unit.
- 4. Where a contractor-developer constructs dwelling units for private housing rentals to be entitled to tax credit of twenty-five percent (25%) of the contractor's fee.
- 5: Entitlement to apply for mass socialized housing financing of the dwelling units for rent by the private sector at reasonable affordable rates whether for financing of original construction, or to repair the same in order to preserve the apartment units, or to convert a private dwelling unit into residential apartments.

Private housing financing for rent to low and middle income level families being a form of socialized housing, entitlement to financing under R.A No. 7660, the documentary stamp tax law, the Abot-Kaya Pabahay Fund, and any other Housing Finance Program for low and middle income socialized housing under existing law.

The data considered in this proposal include:

- (1) Poverty Incidence The poverty incidence is 40.7% of all families with a magnitude of .87 million families and an annual per capita poverty threshold of P7,350.00.
- (2) Average annual income The average national annual income of 11.97 million Expenditures and Savings (1991) The average national annual income of 11.97 million families is P43,134. Of this income, P34,533 (80%) are spent and P8,601 (P20%) are saved.
- (3) Distribution of Family Expenditures (1991)

A. <u>Basic Necessities</u>		Total %
Food	47.6%	
Clothing	3.7%	
Housing	13.2%	
Medical Care	1.8%	
Education	3.0%	69.3%

Taxes; Transportation; Fuel, Light and Water; Household Operation;

and others.

B. Other Expenses

Total ----- 100%

30.7%

(4) Distribution of Families by Income Class

Total Number	Classification	Annual Income		Percentage
Of Families	Levels	From	To	Of Families
(10,533,000)	1988/1991			
(Thousands)				
3,642	Lowest or Bottom	Under P6,000 –	P19,000	34.6%
	One-Third Lever			
3,648	Middle One-Third	P20,000 -	P39,000	34.6%
	Level 1			
2,587	Upper One-Third	P40,000 -	P99,000	(24.6%)
+ 656	Level	P100,000 and	Over	(6.2%)
3,243				30.8%
•				Total 100%

Approval of this measure to alleviate the effects of the 41 percent poverty incidence of all families nationwide and partly relieve the pressure of two-thirds of the unmet needs for housing dwelling units is urgently requested.

INGGOY EJERCITO ESTRADA Senator

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SENATE S.B. No. 901

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Introduced by Senator Jinggoy Ejercito Estrada

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 the Philippines in Congress assembled:

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

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

Towards the attainment of this policy, incentives private sector provided to promote accelerate and enhance continuity of the public and private sector's cooperation to provide residential housing for rent at reasonable affordable rates.

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

(1) Exemption from the Value-Added Tax on lease of properties of the rentals from dwelling units covered by R.A. No. 7644 and such dwelling units which are hereinafter leased for residential housing of low and middle-income families renovation of existing units into rental apartments by construction of new units or dwelling residential housing of low or middle-income families;

- (2) Exemption from any local government taxes on real state over- the rates of levy imposed as of the effectivity of the effectivity this Act under the Local Government Code of (R.A. 1991 No. 7160), to the extent of the tax increase arising from the increase in the assessed value of the property from and after the effectivity of this Act: Provided, That the real estate and dwelling units constructed thereon are covered by R.A. No. 7644, the rental regulation law, up to December 31, 1997: Provided, further, That the exemption shall continue for five (5) years after December 31, 1997 for as long as the rental rates imposed for the calendar year after 1997 are those provided for under R.A. No. 7644 with an increase of not more than twenty percent (20%), cumulative and compounded based on the actual rate imposed as of December 31, 1997, but not more than Forty thousand pesos (P40,000.00) per annum per- unit;
- (3) Tax credit of twenty-five percent (25%) of the gross rentals for five (5) years following the completion of the new or renovated housing units for rental housing for low and middle-income families earning less than One hundred thousand pesos (P100,000.00) per annum at rental rates of not more than Forty thousand pesos (P40,000.00) per annum per unit necessary repairs of the rental units from gross income derived from rentals of the units:
- (4) Tax credits up to twenty-five percent (25%) of the contractor-developers professional fees earned from construction of new units or renovation of existing units into apartment dwelling units for rental residential housing for middle and low-income families earning less than One hundred thousand pesos (P100,000.00) per annum and to be rented at not more than Forty thousand pesos (P40,000.00) per annum per unit; and
- (5) Entitlement to financing for the necessary repairs to the necessary repairs to preserve existing rental units, renovation of existing units to apartments for rental housing, or the construction of new units for rental housing developmental financing provision of R.A. No. 6846, the Abot-Kaya Pabahay Fund, or the socialized housing program under Sec. 22(a) of R.A. No. 7660, the Documentary Stamp Tax Law, or such other Housing Financing for low or middle-income socialized housing programs provided by existing law.

SECTION 4. Rules and Regulations; Monitoring of Implementation. - Rules and regulations to implement this Act shall be promulgated by the Housing Development Urban Coordinating Council in consultation with the Department of Finance in cases of tax exemption and tax credits and with the endorsement of national housing agencies with respect to programs for social housing and urban development.

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

SECTION 5. *Effectivity.* - This Act shall take after complete publication in at least one (1) national newspaper of general circulation.

Approved,