



**SUSTAINABLE SHARED
GROWTH SEMINAR #27**
Land Value Tax



TABLE OF CONTENTS

SEMINAR 27 DETAILS	2
OPENING REMARKS	
Dean Rolando T. Bello	4
OVERVIEW OF KKK SEMINARS	
Dr. Ferdinand C. Maquito	5
LAND VALUE TAX: A MECHANISM FOR DECENTRALIZATION?	
Mr. Joffre Balce, Secretary, Association for Good Government	10
THOUGHTS FROM THE SEMINAR PARTICIPANTS	17
Reflections from the Seminar on Land Value Tax (Geny Lapiña)	17
Thoughts on “LVT: A Mechanism for Decentralization?” (Christian Leubert C. Milambiling)	19
Reflective Thoughts on Redirecting Filipino Concept of Land Taxation (Muriel C. Fulleros)	20
Reflections on the discussion on the LVT (Nico Jayson C. Anastacio)	21
Insights from the Land Valuation Seminar (Guinevere Madlangbayan)	22
Reflection on Land Value Tax (Jan Danica S. Asma)	23
LVT as a Mechanism for Decentralization: A Reflection (Imelda DG. Olvida)	24
My take on Land Value Tax (Minerva L. Boongaling)	26
The Joffre Balce Experience (Cesar Z. Luna)	28
GALLERY	29

SEMINAR 27 DETAILS

Theme: Land Value Taxes: A Mechanism for Decentralisation?

Date: November 16, 2019 (Saturday)

Venue: College of Public Affairs and Development, University of the Philippines Los Baños

Background:

This Sustainable Shared Growth Seminar focuses on Land Value Taxation, which we consider as one of the mechanisms that could help in achieving sustainable shared growth. This mechanism was first proposed by Joffre Balce, Secretary of the Association for Good Government, based in Australia, in one of the earlier sustainable shared growth (a.k.a. KKK)¹ seminars. SGRA Philippines is now collaborating with various researchers on the following KKK mechanisms: Land Value Taxes; Internal Revenue Allotment; Community Currency; Decentralization and Organizational Architecture; the Flying Geese Model and other Japanese Institutions; Sustainable Agriculture. The hope is that these mechanisms could be leveraged so as to help the Philippines achieve sustainable shared growth.

This is the first KKK seminar to actively involve the graduate students taking their PhD in Development Studies (DVST) at the College of Public Affairs and Development, University of the Philippines Los Baños. The seminar forms part of their learning activity in their DVST 399 (Special Topics) course during the first semester of the school year 2019-2020.

Acknowledgement: Thank you for the support of the Atsumi International Foundation/Sekiguchi Global Research Association (% AISF Managing Directress Junko Imanishi) and the University of the Philippines Los Baños/College of Public Affairs and Development (% Dean Rolando T. Bello).

¹ See the title page for the reason. KKK is not for oppression. KKK is against oppression.

Program



SUSTAINABLE SHARED GROWTH
SEMINAR #27

Land Value Taxation: A Mechanism for Decentralisation?

November 16, 2019 (Sat.)

9 AM - 12:30 PM

CISC Conference Room

College of Public Affairs and Development
University of the Philippines Los Baños

LIMITED SLOTS!

for reservations, contact: Mr. Nico Anastacio
nicanastacio@up.edu.ph

IN PARTNERSHIP WITH :



DVST 399,
SY 2019-20
1st Semester

Program

- 8:30 Registration
- 9 - 9:30 Opening and Overview
 - Dean Rolando Bello
 - Dr. Max Maquito
- 9:30 - 10 LVT: Australia's Experience and its Future in the Philippines
 - Mr. Joffre Balce (Secretary of AGG)
- 10:30 Break
- 10:45 A Laboratory of Political Economy: A Tweak of the Game "Settlers of Catan"
- 11:45 Reflection and Discussion
- 12:15 Closing Remarks



Note: Due to a very active participation in the discussion from the participants and to a request from the Keynote Speaker, it was decided to change the program to extend the discussion period for the rest of the seminar.

OPENING REMARKS

Dean Rolando T. Bello

Dean Bello took some time from his busy schedule to grace the seminar and provided some opening remarks. He talked about the importance of land value taxation in the light of the current moves towards tax reform. Also, in view of the current amnesty in estate taxes, which aims to reduce the rates for back taxes and removal of penalties to allow for compliance. This has the end view of promoting land markets and spurring economic development

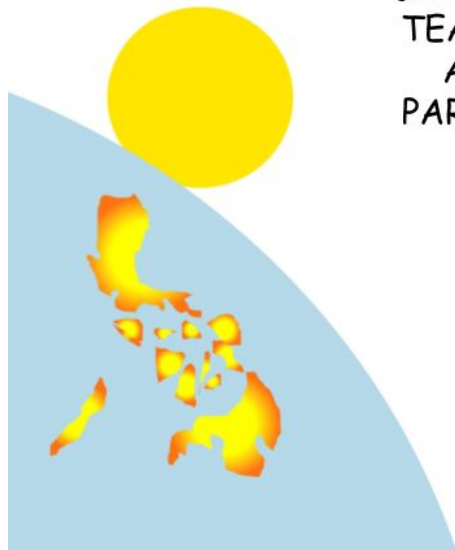


Dean Rolando T. Bello (leftmost) giving the opening remarks

OVERVIEW OF KKK SEMINARS

Dr. Ferdinand C. Maquito

Our vision in these seminars is to respond to the call from the land of the rising sun..



JAPAN AS
TEACHER
AND
PARTNER

DEVELOPMENT ECONOMICS
REFERRING TO JAPAN'S
EXPERIENCE

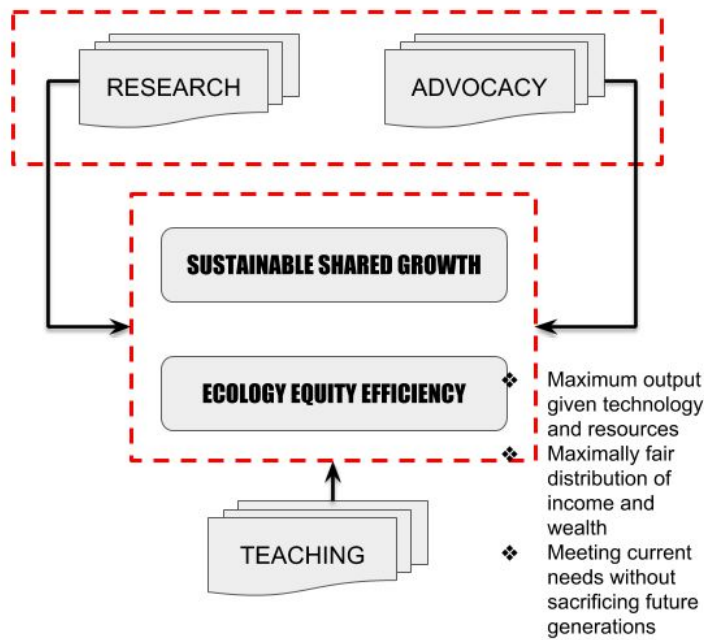
From the Land of the
Rising Sun

To the Pearl of the
Orient Seas

A Daring Challenge

To Build Together the
Miracle that is Shared
Growth

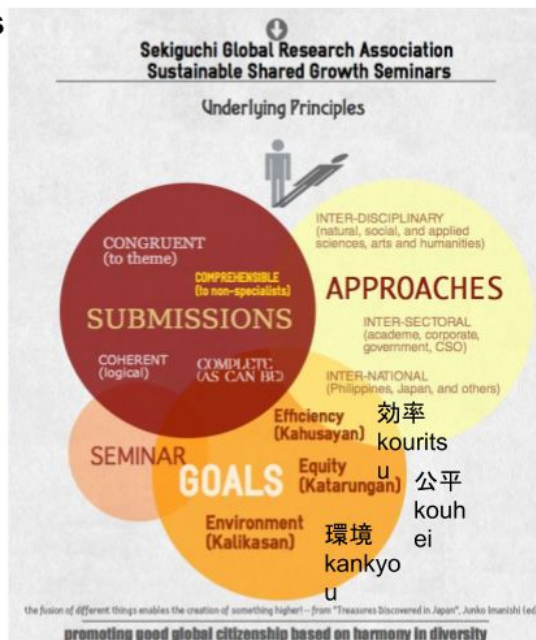
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Sustainable Shared Growth as aiming for Efficiency, Equity, and Environmental-Friendliness

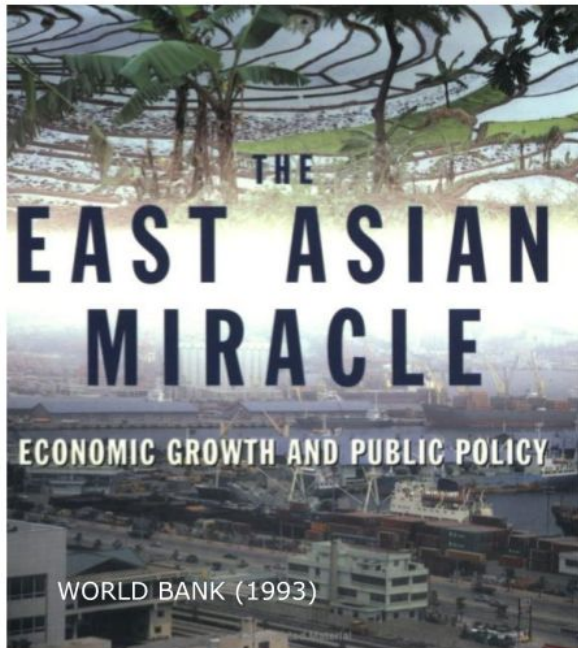
A summary of past activities. Why we also call it KKK seminars.

26 seminars since 2004



Sustainable Shared Growth Mechanisms

The controversial report that started it all



SHARED GROWTH

Rapid income growth

+

Improvement in
income distribution

Efficiency

+

Equity

5

Conspicuously absent from the list of East Asian Miracle economies



East Asian Miracle Economies

JAPAN

REPUBLIC OF KOREA

TAIWAN

HONG KONG

THAILAND

MALAYSIA

SINGAPORE

INDONESIA

6

Land Value Taxation is Efficient

27th Sustainable Shared Growth Seminar: LVT

- ❖ Efficiency
 - Taxes distort market prices
 - Consumers buy less
 - Producers sell less
 - → Inefficiency = deadweight loss of taxation
- ❖ Milton Friedman (ca. 1978)
 - ...the least bad tax is the property tax on unimproved land. The Henry George argument of many, many years ago



<https://youtu.be/yS7Jb58hcsc>

7


Land Value Taxation is Equitable

27th Sustainable Shared Growth Seminar: LVT

- ❖ Equity
 - LVT is tax on unearned income
 - LVT is not a tax on earned income, such as the income tax
 - → equitable
- ❖ LVT → value capture




LINCOLN INSTITUTE OF LAND POLICY



Definition of value capture

*Value capture refers to the recovery by the public of the land value increments (unearned income or **plusvalías**) generated by actions other than the landowner's direct investments.*

Increments resulting from the landowners efforts are rather the exception to the rule...



Toronto Feb 2, 2015
Martim O. Smolka
4

<https://www.slideshare.net/lincolninst/value-capture-a-land-based-tool-to-finance-urban-development>

8

Land Value Taxation is Environmentally-Friendly

27th Sustainable Shared Growth Seminar: LVT

- ❖ Environmentally-friendly
 - Reduces urban sprawl
 - → protects nature

Use It Or Lose It

Vacant lots, ground level parking, and paved or barren areas left unused are commonplace in our cities. In many cases, this is extremely valuable land in central business districts. If a Land Value Tax is applied here, the total tax paid will be drastically higher relative to vacant land further from the city.



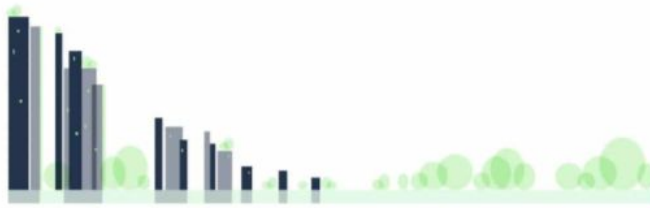
CURRENT SPRAWL

Less housing, jobs and nature



LAND VALUE TAXATION

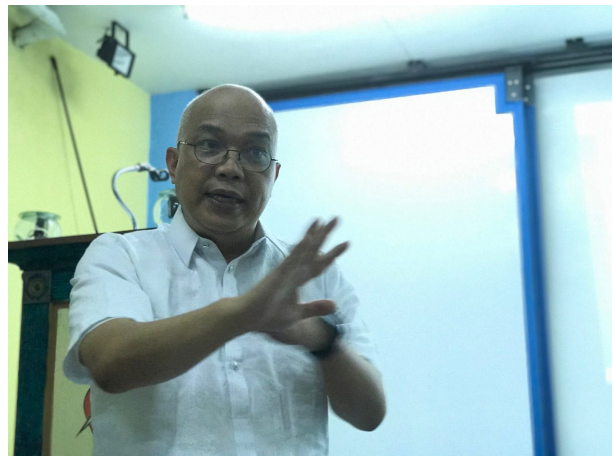
More housing, jobs and nature



<https://earthsharing.org/visualizing-earthsharing-part-ii/>

9

Dr. Max Maquito is a former recipient of the Atsumi International Scholarship Foundation (AISF). In addition to the Monbusho Scholarship, the AISF scholarship enabled him to finish his Ph.D. in Economics at the University of Tokyo in 1996. His research and advocacy is on shared growth, which is based on his ongoing study of Japan's development experience. He is currently a faculty member at the Institute for Good Governance and Rural Development of the College of Public Affairs and Development, University of the Philippines Los Baños



E-Mail: fcmaquito@up.edu.ph

LAND VALUE TAX: A MECHANISM FOR DECENTRALIZATION?

Mr. Joffre Balce, Secretary, Association for Good Government

The Association for Good Government (AGG) finds agreement and a synergy in our efforts with the Sekiguchi Global Research Association's (SGRA) three aims of efficiency, equity and the environment. As a Georgist body, we traditionally are an educational institution that advocates social justice as association in equality in rights and the pursuit of personal liberty through mutual respect for individual agency. Upon further reflection and analysis, we realize that these twin objectives do not contradict the science of political economy's twin objective of economic efficiency, which is the general improvement of a system with harm to none, and sustainable development, which, by rendering to society what is society's, to the individual what is the individual's due and leaving sacred nature's power to provide for her creatures.

Another tradition is the advocacy of the single tax, that technically is not even a tax. It is the site rent paid for the locational advantages endowed by nature and its enhancement by the society's collective efforts. Hence. Therefore, it is only logical that by pursuing social justice as defined in Georgism that the economic value generated by nature and society is restored to nature and society, leaving to the individual the just fruits of one's labours.

The seminar's focus is on the land value tax (LVT), another term used by Georgists to describe the Single Tax, as a mechanism for decentralization of government. Significant to the discussion will be its consonance with AGG and SGRA's compatible aims in the context of a nation's endeavour to render upon each community what is their due and to the larger body – the nation – and its cooperation with the family of nations as well.

The Australian Experience

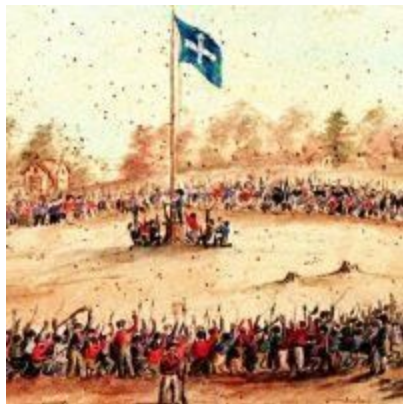
As the former penal colony transformed itself into a society of free individuals in a land blessed with abundance of resources, the settlers of Australia were acquiring a sense of justice for themselves that they felt Mother England could not extend to them.

Sparking this self-awareness was the Eureka Rebellion that erupted on the 3rd of December 1854. Gold miners in Ballarat, Victoria instigated the rebellion against the colonial authorities because of the following grievances submitted by the Ballarat Reform League of miners:

1. exorbitant prospecting-license fees with allegations of corruption,

2. brutal police procedures for collecting those fees based on immigrant profiling,
3. lack of the vote by immigrants, and
4. under-representation in the Legislative Council

Dissatisfied with the slow resolution of cases of murder against the Eureka Hotel owner and arson against the suspected miners for vengefully burning the hotel, the military reinforcement by the Victorian government and the election of a more militant leader of the League, 12,000 disgruntled miners declared their defiance to the colonial government, unfurled an Australian flag of independence and swore "to stand truly by each other and fight to defend our rights and liberties."



In a matter of hours, the rebellion was crushed and its leaders arrested. However, public sympathy was overwhelming; not only did it lead to the acquittal of those charged but also to the reforms they stood for. While tempers seemed to fizzle, its embers fueled yearning for liberty and justice. The march towards a democratic and federal Australian Commonwealth began.

While there were various reasons for federating, a crucial issue relevant to the topic of discussion in this seminar is fiscal policy. Because it was more egalitarian than England, it was a melting pot of political ideologies. Wages were high as there was so much land in abundance and the demand for wool, sugar and gold was robust.

The colonies in Australia and New Zealand had as sources of revenues: tariffs, excise duties and land taxes. While it was mainly an export-oriented economy with its chief market and source of finished goods in the United Kingdom, among the political aspirations of its inhabitants was the development of its own industries and the control of its public works and utilities. Hence, there was a tension between a free trade labour sector and an aspiring local business class intent on substituting imports and securing control over railway and telegraph.

Joining the fray of the discussion was an idea that came from across the Pacific. Henry George's *Progress and Poverty* (PaP) was a bestseller among politicized Australians via a Single Tax Movement spread across various states and discussants. Interest in his other works on *The Land Question* and *Protectionism or Free Trade?* (PoFT) served to deepen the discourse and settle certain disputes.

One of the hurdles of federating was the various excise duties on exports and imports the colonies were charging each other as well as the different railway specifications and rights of way of roads and telegraphs. PoFT provided a more strategic direction towards

free trade between the states and even with the UK and other prospective trading partners at the time. The confidence that the immigration of skilled nature will spur the natural development of local industry and that tariff free entry of the capital goods and materials new labourers require will accelerate their development.

What the Single Tax could potentially answer was the Land Question. The growing threat to the equitable socio economic condition was the concentration of the ownership of land, particularly in the growing urban centers of Sydney and Melbourne where the number of those residing in squalor was growing due to rising rents by those who held the land.

Single taxers, as the Georgists called themselves at the time, had a ready response to the nationalist arguments: the Single Tax. However, a new polarity arose in the political discourse: Land Valuers, who justified the possession of the land subject to payment of the Single Tax, the Land Nationalizers, who rationalized the Single Tax as the site rent paid to the State as the custodian of the land, and “Mixed” Taxers, who while believing in the wisdom behind the land value tax, asserted the practicality of collecting other revenues to support a growing inflow of immigrant labour that Australia would need.

Australia’s economic history reveals that the Single Tax may have had an early but hard fought victory. Prior to federalism, many colonies taxed incomes with their respectively prescribed categorization, assessment and rates. Further complicating income taxation was the practice of some jurisdiction of taxing based on the taxpayer’s residency or source of income. As population increased and capital became more mobile across states, the problems of double taxation. Hence, despite the vociferous opposition from the wealthy classes, land taxes, which became the most simple, efficient and fair method, were applied first on the state level and, finally, on the federal level in 1910.

Becoming apparent was the fiscal inequality between the states. It was addressed by fiscal equalization when in 1910-11, Western Australia requested and received fiscal assistance to compensate for the loss of tariffs, which had been its primary revenue source. Tasmania did the same the following year and South Australia in the 1920s. Gradually, a “horizontal fiscal equalization” an independent body recommending distribution of federal government grants based on fiscal need was formed. Over time, the idea of convergence has continued and been strengthened which is why Australia has attained interstate fiscal equality compared to other federal systems.

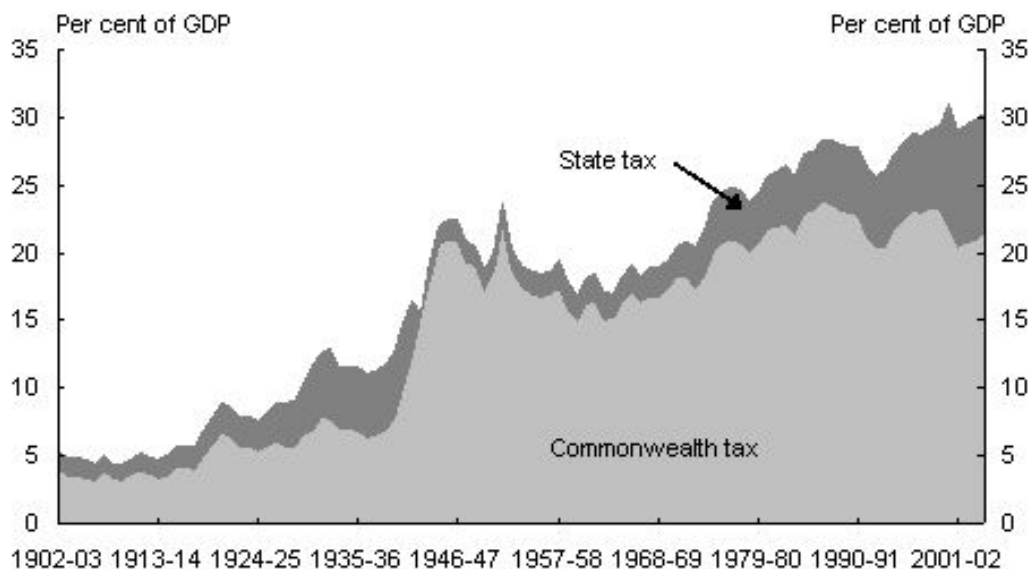
The share of taxes on GDP at the turn of the 20th CE was around 5%, when Australia and New Zealand had the highest per capita incomes in the world. The division between the land nationalists and land valuers was settled when Canberra, the Australian Capital

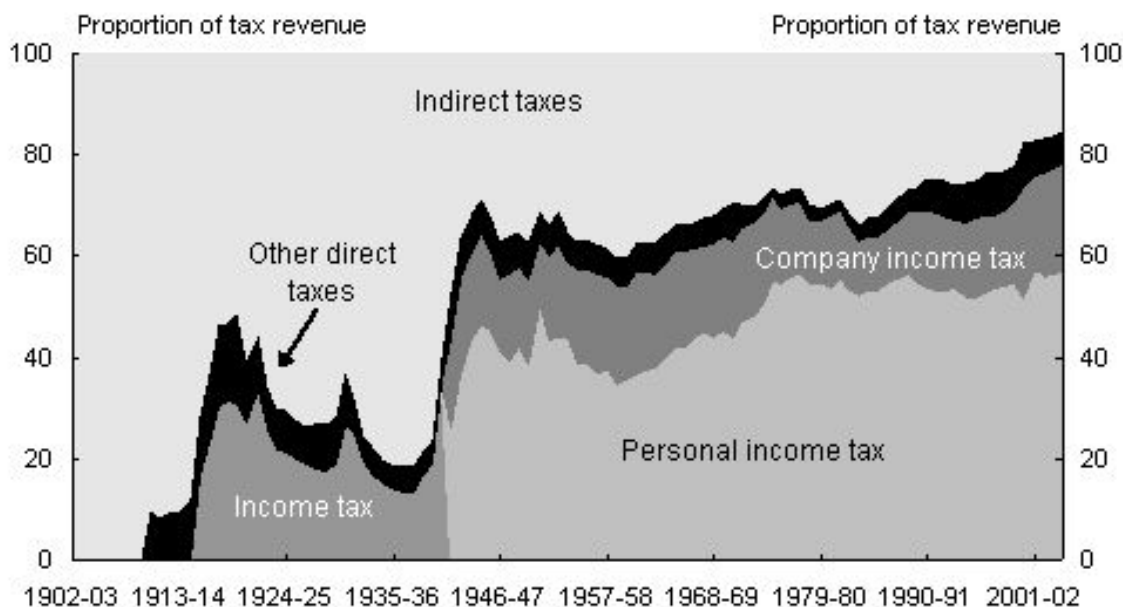
Region, became the sole territory where it is the federation that owns the land and grants its occupants long term leases.

However, when WWI broke out, a federal income tax was introduced to finance the military starting in 1915. So as not to compete with the states which collected their own, federal rates were low but progressive and income thresholds were high. A kind of fiscal rivalry naturally arose between state and federal levels which became apparent when Parliament did not withdraw federal income taxation because of the huge revenues it brought in for both state and federation.

Further complicating the fiscal landscape, based on some observations, was that as members of the political class grew wealthy while in office, acquiring land, family members and friends procuring company interests, and the universities were teaching economic curricula that excluded Henry George's primary literature, particularly neoclassical, Keynesian, monetarist and even socialist – which George and Georgists strongly separated themselves from – land taxation gradually fell out of favour and other taxes were introduced to the myriad of over 120 taxes it charges today. It is a situation that both federal and state governments endeavour to reverse but apparently suffers from political will.

A Brief History of Taxation in Australia





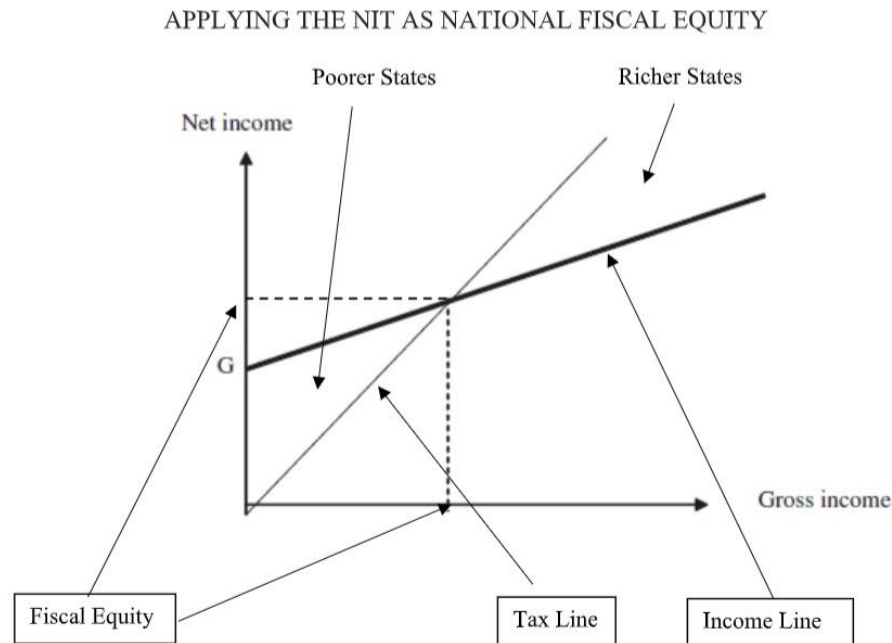
Lessons for the Philippines

The Philippines has much to learn from Australia's experience in terms of what to avoid – which involve dealing with the complexities that arose in accommodating not only competing economic ideologies but personal economic interests among politicians as well – and to replicate – which is the idea of fiscal equity across the states and in the Philippine case, across regions and provinces.

On hindsight and superficially examining the simpler system of Singapore that Australia envies, taxation must revert to its primary principles of simplicity that includes ease of assessment and collection, as well as efficiency and fairness in matching sources and uses of funds to generate equitable economic development. Moreover, it would help tremendously if the system and its principles are enshrined in law, especially on the Constitutional level in order to deal with the usual growth in economic trappings of a dominant political class. *Tal vecino, tal pueblo, tal pais* – what is good for a citizen must be good for the state as well as the nation.

A modest suggestion of this paper is to apply the mechanics of Milton Friedman's "negative income tax" model on the federal level, but modified. This, Australia spontaneously applied when the wealthier states of New South Wales, Victoria and Queensland shared their surplus with the deficit states then of Western Australia, Tasmania, and South Australia (which later spun-off the Northern Territories).

APPLYING THE NIT AS NATIONAL FISCAL EQUITY



However, the modification could be where the richer regions such as Metro Manila, CALABARZON and Central Luzon could lend or buy bonds of poorer states such as the Cordillera and Bicol in Luzon, Samar and Leyte in the Visayas and ARMM and BAR in Mindanao rather than “directly subsidize” the expenditures so that the economic rents of the poorer regions, when captured by taxes and monetization can repay the richer states who can borrow from overseas development sources by leveraging their credit to the poorer states.

Another suggestion is towards the simplification of the tax system. In order to attract foreign capital or entice local investment, a main attraction is a low income tax and that could be applied on a national level. Raising the income tax threshold to spur aggregate demand of a critical consumption market is essential, as has recently been apparent under the recent TRAIN Law. The recommended sweet spot would be 8-10%.

Regional comparative advantage can then be harnessed by a uniform national land tax rate. Investors will naturally be attracted to regions where the economic rents are cheaper but have a high potential for growth. Regions can then plan and project the kind of infrastructure and public works they need in order to raise their general

productivity, attractiveness to investors and economic rents that, in turn, makes them viable propositions to creditors. The advised sweet spot would be 1.75-2%.

At the risk of being severely criticized by my fellow Georgists for even suggesting an income tax, let it be noted that the rates proposed are extremely low compared to many countries, with the exception of financial havens that are mainly depositories. The Philippines has an abundance of resources for the harnessing of even more economic and intrinsic value. Eventually, the economy will rediscover the wisdom of the principles of taxation and revert to them.

The situation is similar to the Buddhist parable of two monks seeing a schoolhouse burning from across a river and seeing children inside it. The elder monk implored them to run out of the school but scared them instead. The other lied and announced he had candy and toys, which got the children all excited and scampering to safety, unaware of the danger until they saw the flames engulf their school and collapse the structure.

Daunting Challenges

There are several challenges though daunting, that must be confronted. Allow me to put them in Georgist quotes

Firstly is the issue of political will to overcome the morass of programmatic thinking at the expense of being nimble and proactive. Politics is, after all, has been called the science of the possible.

Second is overcoming the natural but destructive tendency of cliques thinking, deciding and acting to their mutual benefit to the extent that it may be harmful to the common and greater good of society.

Finally, there is the academic and intellectual challenge of questioning economic orthodoxy and popularity. Essential at this time is to develop a framework that is more empirical and objective than ideological while addressing very human and natural concerns of equity, democracy and environmental sustainability, which is why I express gratitude and appreciation for the co-sponsor's efforts today. May there be more follow through activities in the near future.

As a Georgist, let me end with a quote from Henry George: Progressive societies outgrow their institutions as children outgrow their clothes. May Australia, the Philippines and the rest of the world invest in a new wardrobe.



Joffre Balce is the Secretary of the Association for Good Government and Head of the Australia School of Social Science. He was a former PhD scholar of the University of New South Wales Faculty of Law, an MSc scholar of the Southeast Asia Science Foundation at the University of Asia and the Pacific and an AB from the Ateneo de Manila University. He has had a wide range of experience in finance, development and cooperative

enterprise in the sectors of academe, private business, government and civil society.

E-mail: joffre.balce@gmail.com

THOUGHTS FROM THE SEMINAR PARTICIPANTS

Reflections from the Seminar on Land Value Tax (Geny Lapiña)

The idea of a land value tax seems simple, but it is quite radical. I found it interesting that we should tax “economic rents” and not the value of our labor. An implication is that income taxes may decline with a land value tax system, perhaps even no personal income taxes at all. This sounds good for citizens. However, for a government who would lead the reconfiguration of a tax system towards such an idea may be very skeptical. One concern for the government is the ability of the land value tax to generate revenues that is needed to deliver public functions and services. Currently, the thinking is shifting towards getting more from consumption taxes (SIN tax, E-VAT, among others). There is also a move to simplify and reduce income taxes (across the board, including of businesses, such as the corporate income tax). Perhaps, the future may move towards land value taxes once the current tax reforms are implemented. As such, the issue could be of timing for such an idea. However, an important question is when will the best time be? The current tax reform is facing its own challenges already. And there are lessons to be learned by LVT advocates in the current tax reform packages of the Philippines. In the learning process, there could be potential entry points that the idea can be explored at a national level. In the short term, piloting it within local level LGU but recognizing policy limitations is important and helpful. What I am curious about is if there is a model where this can be simulated? The TRAIN Law, I believe, may have had a simulation model. An LVT simulation model, considering TRAIN Law assumptions

and constraints might be worth too.

Lastly, a single tax such as a land value tax that would promote efficiency, equity, and sustainability is quite radical. It is hard to imagine how it could do so. Perhaps, translating this to what it means to individuals, households, business, and government is important. There will be lots of nuances in perspectives and issues as discussed in the open forum. For example, what will an LVT mean for individual homeowners, farmers who own agriculture land, and businesses that operate in society? Importantly, how do we transition to such a LVT system that individual workers may find good (if income taxes go down). Importantly, will current incomes be even enough (despite tax reductions) to have a decent life that considers efficiency, equity and sustainability simultaneously. On the side of government, there is a real concern if there will be enough revenues that are needed to help govern as well as provide public goods and services. I think the LVT, despite many hurdles is a potential tax system but further elaboration of the concept will be needed. A pilot of it in a municipality will definitely show useful lessons. Though, I believe a review of the current national level tax reform will also be valuable. The above question of when LVT may be the best time is answerable by ensuring there are champions now that move it forward. These would be researchers and advocates who are dedicated to studying, piloting, and scaling up such an idea.

A last reflection about the seminar is that I think the group was focused on understanding the LVT concept and its potential implications that we never were able to discuss much more how the LVT can promote decentralization. Overall, it is a thought-provoking idea that deserves study, discussion, exploration and piloting.



Mr. Geny Lapiña is an Assistant Professor at the Department of Agricultural and Applied Economics, College of Economics and Management, University of the Philippines Los Baños. He completed his BS in Agricultural Economics from the College of Economics and Management of UPLB and his Masters in Development Economics from the School of Economics, University of the Philippines Diliman. Currently, he is working on his PhD in Development Studies from the College of Public Affairs at UPLB.

Email: gflapina@up.edu.ph

Thoughts on “LVT: A Mechanism for Decentralization?” (Christian Leubert C. Milambiling)

The presentation of Mr. Joffre Balce of the AGG started with the concept of sustainable shared growth vis-a-vis inclusive growth. It was reiterated several times how efficiency, equity, and environment play a significant role in understanding sustainable shared growth. Having no background in this topic, I was surprised how these concepts are isomorphic. It was also interesting how Australia through the “Eureka Revolt” experienced (and are still experiencing I might say) the goodness and the challenges of shared growth and land value taxation. Unlike our neighboring Asian countries like Singapore, Taiwan, and Japan, who, once in their history embraced shared growth, we the Philippines are being left behind when it comes to development. The question now is how we can utilize the same formula for development that is similar to the East Asian Miracle, that is, if we consider the less likelihood of miracles, aside from the given fact in our cultural differences. I appreciate how usufruct or natural laws and the will of God somehow transcribed in the discussion in utilizing the land that we ‘owned’. The idea of “use it” or “lose it” somehow makes sense. Now, of course there are some arguable considerations in the radical concept of land value taxation such as it being a political suicide, universal income, indigenous peoples rights, decentralization and federalism, land reform, and community currency among others. In our context, the success of LVT as a mechanism for development through decentralization is still highly dependent on factors such as better policy formulation and implementation, good working institution, strong and radical government leaders, and social and cultural foundations of the Filipino people.



Mr. Christian Leubert C. Milambiling is currently a Senior High School Faculty at the Malayan Colleges Laguna teaching qualitative and quantitative research. He has 10 years of teaching experience in Mathematics for both tertiary and basic education. He was a former faculty of City College of Calamba, The Lipa Academy for Math and Science, and Xavier School Nuvali. He finished BS Mathematics and Master in Public Affairs major in Education Management both in University of the Philippines Los Banos (UPLB). He is finishing his PhD in Development Studies, also in UPLB, with specialization in Education and Development and cognates in the fields of Strategic Public Policy Studies and Extension Education.

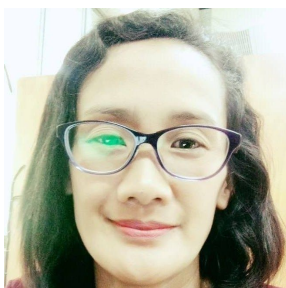
E-mail: ccmilambiling@up.edu.ph

Reflective Thoughts on Redirecting Filipino Concept of Land Taxation (Muriel C. Fulleros)

Land Value Taxation (LVT) campaigning for a new method of raising public revenue is still remote to the understanding of the common Filipino. The issue being highly political and economics is only understood at the university level at this point. Filipino context of Land Taxation which is commonly understood as a source of government funds is an issue of wealth, power and political influence. LVT being a new concept of public revenue, stronger economy, efficient land market etc, is a high thought that would require some form of redefining of old information to the understanding of the majority.

The common understanding of Filipinos of Land Taxation is associated with the Property Taxation as prescribed by the Local Government Code of the Philippines 1991 (RA 7160) which vested the authority to the local government units (LGU) to impose real property taxes. Under this law, the property valuation process relies on self-declaration of property owners and revaluation of properties is done once in three years. With this valuation method, property owners who tend to under-value their properties to escape paying a high tax on “capital gains” become a common practice.

Joffrey’s discussion on Friedman’s concept of deadweight loss as a source of inefficiency of land value taxation offers confusing principles of economics and good governance that it would entail serious campaign vis avis public protests against revaluation and extensive lobbying for preferential tax treatment on the revaluation system in the country as a common practice. On this behalf it is noteworthy to mention that Taxation laws takes two semesters of extensive discussions and serious studies in the Philippine law schools. Power of dissertation against legislative powers on this account seems to mean lobbying local legislators, intellectual/ academic leaders for redirecting a common understanding of public good and good governance.



Muriel C. Fulleros is connected with Bicol Merchant Marine College Inc. in Sorsogon City as Asst. to the VP for Academics. She is currently pursuing her PhD, in Development Studies at the College of Public Affairs and Development, University of the Philippine Los Baños currently enrolled in DVST 399.

E-mail: mcfulleros@up.edu.ph

Reflections on the discussion on the LVT (Nico Jayson C. Anastacio)

The seminar on the land value taxation (LVT) provided us an opportunity to have an understanding of the concept, and be able to exchange insights on possible challenges of its implementation, especially within the context of the Philippines. Based on our exchange of ideas and insights, what I understood is that the tax imposed through LVT, unlike real property tax (RPT), is based on the original value of the land prior to any improvement. This means that regardless of whether large commercial properties have been established in the area, the tax that will be paid by its owner is just equal to those that have not been able to implement any improvement in their property. Within this perspective, LVT could be seen to promote equality among various stakeholders. Furthermore, LVT is also seen to encourage productive utilization of land since the same tax will be imposed on the landowners regardless of whether they use it or not.

However, even with the possible benefits that could be incurred from the imposition of LVT, there are issues and questions that still need to be answered. First, will LVT raise the current tax imposed to the agricultural lands, especially those that are awarded to the agrarian reform beneficiaries? As it is, there are already agrarian reform beneficiaries that are having difficulties paying their taxes (most are not able to really pay their property taxes). Hence, if the tax imposed through LVT will be higher than the current RPT, then it will adversely affect them, and ultimately push them more towards poverty. On the other hand, there are areas in the country that are mostly dependent on the RPT of industries and commercial areas. For instance, during our research activity in a mining site, the municipality, where the large mining company is operating, largely depends on the RPT that they are getting from this mining company. This is because the internal revenue allotment given to them by the national government is not enough for their different development projects. Therefore, the main question in this case will be is that, will the tax imposed through LVT in these areas will be lower than the current RPT imposed to the owners of the large industry players? As with other development tools, the microenvironment (social and institutional) where it will be implemented will largely influence whether it will be successful/beneficial or otherwise. It is therefore important

to understand these microenvironmental factors before this tax is implemented in an area.



Nico Jayson C. Anastacio is a university researcher at the Center for Strategic Planning and Policy Studies, College of Public Affairs and Development, University of the Philippines Los Banos. He is also a licensed Environmental Planner, and works on research topics tourism planning, cooperative systems, and water governance. Currently, as part of his dissertation for the PhD degree in Development Studies, he is currently working on developing a general framework to assess agricultural cooperatives through a sociological and institutional standpoint.

Email: ncanastacio@up.edu.ph

Insights from the Land Valuation Seminar (Guinevere Madlangbayan)

Based on my understanding of Prof. J. Balce's lecture about Henry George's take on land valuation, the land owners are forced/encouraged to become competitive and innovative in the use of their land since the tax that will be imposed to the land owners will not depend on the how the land is used but rather on the size of the land regardless of whether it is idle or not. In the lecture, there were countries that were cited and areas in certain countries like Japan where this principle works. However, I believe that just like any other policy or taxation strategy, it is important that the local culture and other socio-economic conditions be considered before it is implemented in a developing country such as the Philippines. Given that the size of agricultural land in the Philippines has been shrinking, and the distribution of lands were given to those with less capital resources to begin with, it might just push smallholder farmers to sell their land to bigger companies. Productivity wise it may be good for the big farmers but for the small farmers it might push them to poverty even more. Without the appropriate support services (i.e. access to credit, technology support, extension service, training for farm laborers, training for operations management for farm owners and workers) for smallholder farms in agriculture, equality and equity would always be a challenge.

Guinevere Madlangbayan is an aspiring PhD student of Development Studies at the College of Public Affairs and Development (CPAf). She is also a University Researcher working at the Center for Strategic Planning and Development -CPAf, University of the

Philippines Los Baños, Los Baños, Laguna. She has conducted research on the following research topics: organic agriculture, education, water and sanitation. Her current research interest is on agricultural extension and agricultural mechanization. Prior to joining UPLB, she worked in the following government agencies: the Philippine Council for Agriculture, Aquaculture, Forestry and Natural Resources Research and Development (formerly PCARRD) – Science Research Specialist; the Philippine Rice Research Institute (PhilRice) -stationed at the Department of Agriculture Central Office -Development Management Officer; Department of Science and Technology Central Office -Planning Officer.



Email: gtmadlangbayan@up.edu.ph

Reflection on Land Value Tax (Jan Danica S. Asma)

In the Philippines, the property owners are required to pay real property tax (RPT) every year. The Local Government Code of 1999 or RA 7160 stipulates this tax system. The RPT is one of the local revenue generating activities of the LGUs. In Metro Manila, the RPT rate is 2% while in provinces it is 1%. The RPT rate will be multiplied based on the assessed value of the property. The level of assessment differs depending on the type of land whether it is commercial/industrial, agricultural or residential. In the current taxation system, the more developed your land is (with infrastructure) the higher tax you will pay. If a property owner improves his land by building infrastructure, then the state will charge him higher taxes. There is a disincentive to develop a property with the current tax system.

This is what the land value tax wants to solve. The land value tax uses a fix rate on the value of the land only and does not include any developments in the land. It somehow encourages development since the property owner can improve on his land with out worrying for higher tax. In addition, investors will be encouraged to put-up their plant in provinces where land value is low. For rich provinces, they can provide assistance to poor provinces by providing developmental loan assistance. Through the assistance, the poor province can invest in infrastructures such as roads that will increase their land value.

The land value taxation system might be more applicable to a federated structured

country. The applicability of LVT in the Philippines is still doubtful. Not all property owners have the capacity to improve their land. Though the LVT has its own merits, empirical studies on its feasibility in the Philippines should be done. Changing the taxation system has many implications and effects. Whatever taxation system we must implement, efficiency, equity and sustainability must be achieved.



Jan Danica S. Asma is a student of PhD Development Studies and an Assistant Professor at the Institute of Cooperatives and Bio-Enterprise Development, College of Economics and Management (CEM), University of the Philippines Los Baños (UPLB) since 2004. She received her Bachelor of Science in Agribusiness Management in 2006 and Master of Management major in Business Management in 2011 at UPLB. Her research interests are in the fields of cooperative management, rural development and technological innovations.

Email: jsasma@uplb.edu.ph

LVT as a Mechanism for Decentralization: A Reflection (Imelda DG. Olvida)

The talk on Land Value Taxation (LVT) as a mechanism for decentralization was an eye-opener—it was both enriching and thought provoking. It was an opportunity to reflect on the 3 Es (Efficiency, Equity, and Environment) and its corresponding equation:

- What's due to an individual's effort should be given to the individual;
- What's due to society should be returned to society; and
- What's due to nature should be returned to nature.

And if this equation will be truly implemented and embodied, this can be a mechanism that can really better the lives of the marginalized. In this context, what could be more ideal if only we can implement a “revitalized” LVT in our country? Then it (LVT) would not only be a mechanism for decentralization, but also a vehicle for equality.

This could be so because with the passage of the Philippine Local Government Code (LGC) in 1991, certain powers were devolved to local governments, which gave them political, administrative, and fiscal autonomy. However, effective decentralization has

not been realized, because devolved functions were not complemented by adequate revenue-raising powers, clear division of responsibilities, and bureaucratic capacity building. Thus, local governments continued to face various challenges in the exercise of their devolved service delivery functions. <https://www.pids.gov.ph/infocus/115>

I would like to highlight the line “devolved functions were not complemented by adequate revenue-raising powers”. According to a study of Manasan and Llanto of PIDS, productive sources of revenues could have helped the LGUs finance their basic services. However, the LGC itself contributes to the low tax performance of LGUs, as it fails to empower them with greater discretion in raising the maximum allowable tax rates; this limitation significantly reduces the local fiscal autonomy and forces the LGUs to remain excessively dependent on the internal revenue allotment to meet local budgetary needs.

This dilemma was freely shared and articulated during the seminars “open discussion” that focused on the local government units experiences in land value tax collection efforts where it can be surmised that the present situation do not really encourage LGUs to improve their efforts in collecting LVT as they are only getting a certain percentage of the LV Tax collected, as LV tax automatically goes-up to the provincial level, and then to national level. This I think dis-incentivizes the LGUs to pursue rigorous LVT collection.

These triggered some thoughts:

- Who owns most of the lands—the rich.
- Who leaves their land idle and unproductive because they are paying low taxes—the rich.
- With the country’s infrastructure developments, who free-rides, because they are just waiting for the value of their lands to increase--the rich.
- Who buys “unproductive” lands at low cost and then wait for the government to develop the area--development of road networks, provision of electricity, development of water system—and when these developments are in-place, would then develop subdivided communities--the land bankers or the land developers.

With these in mind, I am for the revitalization of land value taxation in our country. It would not be an easy feat, as most LGUs were not really properly oriented on its value and promise. That is why I would recommend piloting of this to establish “show of

proof” of its benefits.



Ms. Imelda DG. Olvida is a Senior Science Research Specialist at the Development Division of the Philippine Rice Research Institute, Los Baños, her research interests include enhancing rice farming communities’ coping mechanisms to Climate Change, Location-Specific Technology Development, and Institutional Convergence as an approach to support rice farming communities. She is currently pursuing her PhD in Development Studies at the College of Public Affairs and Development, University of the Philippines Los Baños.

Email: idolvida@up.edu.ph

My take on Land Value Tax (Minerva L. Boongaling)

The Local Government Code of 1991 (RA 7160) was a breakthrough in the decentralization of the power relation of the central and local government. This piece of legislation, enacted almost three decades ago, has vested upon local government units vast taxing powers as a mechanism in making them self-reliant and effective partners of the national government in achieving development. Among these revenue sources, the real property tax is considered as the most stable local revenue source as it is lodged on the economic value of real properties. As a taxing power granted to the provincial government, all policies are governed by the Sangguniang Panlalawigan from the imposition of tax rate, tax relief (amnesty) and enforcement of administrative and judicial remedy in the collection of delinquent accounts. The municipalities within the territorial jurisdiction of the province are only deputized to administer the assessment and collection of the said tax. The proceeds from the collection of the real property tax is shared by the province, the municipal and the barangay where the real property is located with the following sharing scheme:

1% Basic Tax

35%- Provincial Share

40%- Municipal Share

25%- Barangay Share

1% Special Education Tax

50%- Provincial School Board

50%- Municipal School Board

The code empowers the provincial government to impose Ad Valorem Tax and Idle Land Tax with higher rates than the Basic & Special Education Tax. These taxing powers would increase the revenue from real properties but they seldom adopt this taxing power.

The imposition of Land Value Tax (LVT), which I suppose will still be shared by the province, municipal & barangay, in lieu of other local taxes which rest on the taxing power of the municipalities such as the business tax may not be advantageous to the municipal government because the business tax is one the prime local revenue source of a municipality. Trading the business tax and other local taxes that belong to the taxing power of the Municipality with LVT may result in a decrease in the income for the municipality, thereby making the municipalities heavily reliant on the Internal Revenue Allotment.

Possible trade off in imposing the LVT would come from any of the taxing power of the Province, with the real property tax being a provincial imposition. Other options that the province may explore would be a lower tax rate for the improvements and tax holiday as an incentive of developing an idle property.



Minerva L. Boongaling is the Municipal Treasurer of the Municipality of Pagsanjan, Laguna. She is a certified passer of the Basic Competency for Local Treasures Examination (BCLTE). At present she is the secretary of the Municipal Treasurers Association of the Philippines (MUNTAP) and the president of the City and Municipal Treasurers League of Laguna (CMTLL).

She earned her Bachelor's Degree in Agriculture at the University of the Philippines, Los Baños. With a shift in her practice of profession, she earned her Master's Degree in Public Affairs (MPAf) major in Local Governance and Development in the same university in 2003. Currently she is pursuing her doctorate

degree under the program of Development Studies (PhD DVST), also at UPLB.

E-mail: mlboongaling@up.edu.ph

The Joffre Balce Experience (Cesar Z. Luna)

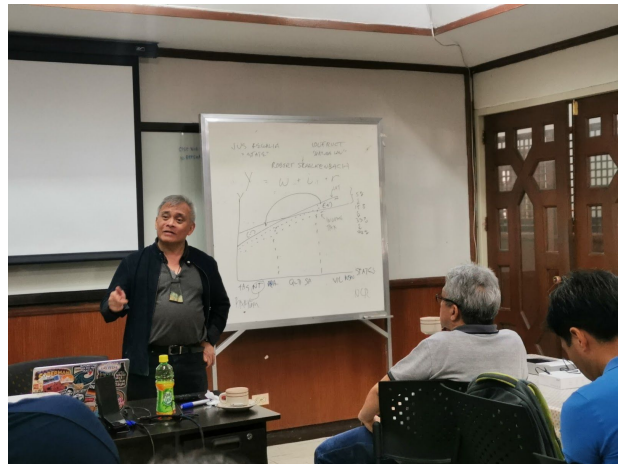
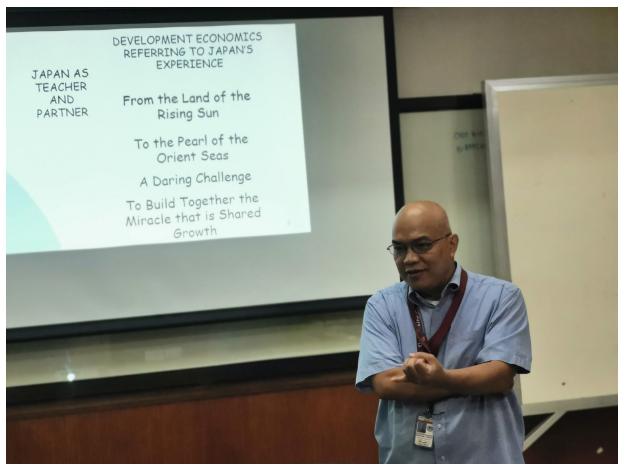
Mr. Joffre Balce's seminar of the Land Value Tax (LVT) was extremely useful to me. I consider LVT as the larger realm within which my own narrow research interest exists, which is the improvement and modernization of real property tax assessment and collection in the Philippines. I am now more convinced that we need to launch a practical advocacy that would lead ultimately to the adoption of LVT in the more progressive areas of the Philippines, if not in the entire country. I believe I met the future advocates of LVT in the seminar. I think that if we are going to see LVT in our country, we should initiate pilot studies. Towards this end, I asked Mr. Balce about case studies of LVT implementation. He referred me to the website of the Robert Schalkenbach Foundation, which I found to be a useful repository of reference materials. From the seminar, I also learned about the classic book *Progress and Poverty* by Henry George. I have since found out that the book has a modern edition, which I am now reading. Such was the seminar of Jeoffre Balce—it leads one to further reading and study.



Cesar Z. Luna is the Chair of the Diploma in and Master of Land Valuation and Management Program of the University of the Philippines Open University, where he teaches online courses in mass appraisal and real estate investment. He also serves as the Assistant to the Vice Chancellor for Finance and Administration and as the Head of the Campus Development and Maintenance Office. He holds a Bachelor of Science Major in Marine Science degree from the University of the Philippines and a Master of Marine Affairs degree from the University of Washington. He is presently enrolled in the online program entitled "Appraisal Institute of Canada, Accredited Appraiser Canadian Institute" of the AIC and the University of British Columbia. His research interests cover the areas of coastal management, decision analysis, real estate appraisal and investment, and sustainable shared growth.

Email: cesar.luna@upou.edu.ph

GALLERY





Published by: SGRA PH

Address: 28 Taurus St., Cinco Hermanos,
Marikina City 1802, Metro Manila,
Philippines

Telephone No.: +632-8-8755453

Email: sgraphil@gmail.com

DTP by: Lenie M. Miro

Edited by: Dr. Ferdinand C. Maquito

In Collaboration with Sekiguchi Global
Research Association

Chief Representative: Junko Imanishi

Address: c/o Atsumi International
Foundation 3-5-8 Sekiguchi, Bunkyo-ku,
Tokyo 112-0014, Japan

Telephone No.: +81-3-3943-7612

Fax No.: +81-3-3943-1512

Website: www.aisf.or.jp/sgra

Email: sgra-office@aisf.or.jp