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RULES AND REGULATIONS AMENDING VALUATION OF LANDS VOLUNTARILY OFFERED PURSUANT TO EO 229 AND RA 6657 AND THOSE COMPULSORILY ACQUIRED PURSUANT TO RA 6657

In order to strengthen the land valuation formula used by the Department of Agrarian Reform, hereunder are the rules and procedures to govern valuation of lands subject of acquisition whether under voluntary offer to sell (VOS) or compulsory acquisition.

I
Definition of Terms/Applicability of Factors

A. *Comparable Sales (CS)* — This factor shall refer to the AVERAGE of three (3) comparable sales transactions the criteria of which are as follows:

1. Sale transactions shall be in the same municipality. In the absence thereof, sales transactions within the province may be considered.

2. One transaction must involve land whose area is at least ten percent (10%) of the area being offered or acquired but in no case should it be less than one (1) hectare. The two others should involve land whose area is at least one (1) hectare each;

3. The land subject of acquisition as well as those subject of comparable sales should be similar in topography land use, i.e., planted to the same crop. Further, in case of permanent crops the subject properties should be more or less comparable in terms of their stages of productivity and plant density; and

4. The comparable sales should have occurred between the periods 1985 and June 15, 1988.

B. *Cost of Acquisition (CA)* — Cost of Acquisition shall be deemed relevant when the property subject of acquisition was acquired through purchase or exchange between the periods of 1985 and June 15, 1988 and the condition of said property is still substantially similar from the time of purchase or exchange to the time of acquisition.

1. Expressed in equation form, the formula for computing comparable sales (CS) when CA is applicable shall be;

$$\underline{\mathbf{CS = T1 + T2 + T3}}$$
$$\mathbf{3}$$

Provided, that, whenever the value of CS exceeds the CA, the latter (CA) shall be used.

Where:

T1, T2 and T3 =	three comparable sales transactions; and
CA = .	cost of acquisition.

2. In case three (3) comparable sales transactions could not be obtained but CA is relevant, CA shall be used in lieu of the value of CS.

C. *Market Value Based on Mortgage (MVM)* — MVM shall be obtained by dividing the loan/mortgage value by 70%. Whenever the mortgage/loan value cannot be determined or ascertained from the annotations on the Certificate of Title or other relevant documents, a sworn certification shall be obtained from the mortgagee bank as to the mortgage/loan value of the property subject of acquisition.

1. In case there are three comparable sales transactions and MVM is also applicable, the MVM shall be used to take the place of the highest comparable sales transaction.

Expressed in equation form the formula for computing CS in this case shall be:

$$\underline{\mathbf{T1 + T2 + MVM}}$$
$$\mathbf{3}$$

Provided, that, whenever the value of CS exceeds the CA, the latter (CA) shall be used.

Where T1, T2 =	two comparable sales transactions with the lowest values; and
MVM =	Market Value based on Mortgage

2. In case MVM is applicable and there is no CS the MVM shall be compared with the CA, if relevant, and the lower of the two shall be used.

3. In case MVM is applicable and there is no CS and CA is not relevant MVM shall be considered in lieu of the CS and CA.

D. *Capitalized Net Income (CNI)* — This shall refer to the difference between the gross sales and total cost of operations capitalized at 20%.

Expressed in equation form, the formula shall be:

$$CNI = \frac{[(AGP) X (SP-(CO)]}{.20}$$

Where:

CNI = Capitalized net income

AGP = One year's Average gross production computed in accordance with item D (4-6);

SP = Average selling price for the last 12 months from the date of the offer or notice of

coverage;

CP = Cost of operations (ex-farm);

and

.20 = Capitalized rate to be applied to all types of lands.

Whenever the cost of operations could not be obtained or could not be verified, an assumed rate of 20% net income factor shall be used.

Expressed in equation form, the formula shall be:

$$CNI = \frac{[(AGP) X (SP-(CO)]}{.20}$$

Where .20 in the numerator pertains to the assumed net income rate.

1. Production data, whenever applicable shall be obtained from government/private entities. Such entities shall include, but not be limited to the Department of Agriculture (DA), the Sugar Regulatory Commission (SRA), and the Philippine Coconut Authority (PCA). These production data shall be used as the ceiling/cap in determining income derived from the land subject of acquisition.

2. The landowner shall submit a sworn statement of net income derived from the land subject of acquisition. This will include, among others, total production, cost of operations, amount of sales (ex-farm) and such other data as may be required. These data shall be validated/verified by a committee composed of Department of Agrarian Reform (DAR)