Research Corporate Advocacy

Tax Reform for Acceleration and Inclusion (TRAIN): Impact on Real Estate

Despite strong economic growth from 2012 to 2016, poverty remained a persistent issue in the Philippines, with 26.3% of Filipinos living below the poverty line in 2016. In response, the Duterte administration pushed for a broad tax reform to fund more inclusive and effective public services, particularly in education and healthcare—critical pillars of long-term national development.

One of the most significant policy tools to address this was the Tax Reform for Acceleration and Inclusion (TRAIN) Law, enacted under Republic Act No. 10963. The law not only restructured income tax but also introduced major reforms that directly impact the real estate sector, estate transfers, and donations.

A Glimpse into the 10-Point Socioeconomic Agenda

The TRAIN Law supports President Duterte's 10-point economic agenda, which includes goals such as:

1. Maintaining sound macroeconomic policies
2. Improving ease of doing business
3. Accelerating infrastructure investment
4. Promoting rural development
5. Ensuring land tenure security
6. Investing in human capital
7. Promoting science, technology, and the arts
8. Enhancing social protection
9. Strengthening reproductive health policy implementation
10. Instituting progressive tax reform

TRAIN is the foundation of the 10th point—and it directly affects real estate ownership, transfer, and taxation.

Real Estate Reforms Under TRAIN: Estate and Donor's Tax

One of the landmark changes under TRAIN is the simplification and reduction of both estate tax and donor's tax, which has far-reaching implications for real estate ownership and succession planning.

Estate Tax Reform

- Before TRAIN:
  - Estates below ₱200,000 were exempt.
  - Above ₱200,000: Tax ranged from 5% to 20% (graduated).
- Under TRAIN:
  - Flat 6% tax rate based on the net estate value.

Impact: A lawful heir of an estate worth ₱10 million can now save around ₱300,000 on taxes during title transfer. This encourages more families to settle estate issues and legally transfer property.

Donor's Tax Reform

- Before TRAIN:
  - Below ₱100,000 donations were exempt.
  - Above ₱100,000: Subject to 2% to 15% graduated tax.
  - 30% for donations to strangers.
- Under TRAIN:
  - Flat 6% tax rate, regardless of relationship between donor and donee.

Impact: For donations involving property worth ₱10 million, the donee can save up to ₱900,000 in tax under TRAIN. This simplifies gifting of property, especially for estate planning and family transfers.

Key Takeaways for Real Estate and Working Professionals

- Easier Homeownership for Filipino Families
- The TRAIN law adjusted VAT thresholds, making it easier to buy low-cost and socialized housing. It also removed VAT on homeowners' and condo association dues, reducing the cost of homeownership.
- Boost to the BPO Sector
- Despite earlier concerns about removing VAT incentives, the BPO sector retains VAT-exemption on its sales of goods and services. This is expected to restore investor confidence and drive further expansion in the commercial real estate market.
- Simplified Transfers of Property
- Whether through inheritance or donation, title transfers are now less costly and more straightforward, making it easier for families and property owners to plan and execute estate strategies.

Final Thoughts

The TRAIN Law has significantly reshaped the landscape of real estate transactions in the Philippines. For real estate professionals, it opens up more opportunities to assist clients in acquiring, transferring, or gifting property. For working professionals, it means more manageable tax obligations and a clearer path to homeownership and financial planning.
By making estate and donor's taxes simpler and fairer, TRAIN supports not just the government's revenue goals—but also the aspirations of Filipino families to secure and grow their real estate assets.

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