REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

BANGKO SENTRAL NG PILIPINAS, Petitioner,	CTA EB No. 1438 (CBAA Case No. L-116) (LBAA Case No. 2011-1)
-versus-	Present:
THE CENTRAL BOARD OF ASSESSMENT APPEALS, THE LOCAL BOARD OF ASSESSMENT APPEALS OF THE PROVINCE OF BATANGAS, AND FORTUNATA G. LAT, in her capacity as THE PROVINCIAL TREASURER OF BATANGAS, Respondents.	DEL ROSARIO, *PJ*; CASTAÑEDA, JR., UY, FABON-VICTORINO, MINDARO-GRULLA, RINGPIS-LIBAN, and MANAHAN, *JJ*. Promulgated: OCT 01 2018 3:50 p.m.

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RESOLUTION

Fabon-Victorino, J.:

On February 14, 2018, the Court *En Banc* rendered a Decision,[1] disposing the instant case in the following fashion:

> **WHEREFORE**, the Petition for Review filed by petitioner Bangko Sentral ng Pilipinas on March 16, 2016, is hereby **DENIED** for lack of merit. Consequently, Respondent CBAA's Decision dated September 2, 2010 and the Order dated June 7, 2011 are **AFFIRMED**.
>
> **SO ORDERED**.

[1] *Rollo*, pp. 192-211.

Unfazed, petitioner filed the instant Motion for Reconsideration[2] dated March 26, 2018, anchored on the following grounds, to wit:

> I. The Court failed to give credence to the court-approved Compromise Agreement dated 31 March 2006 executed between the Province of Batangas and Evercrest/Mega Heights; and
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> II. BSP is exempt from payment of RPT, and as such, is entitled to full refund of the RPT it paid from 2004-2010

Petitioner faults the Court for ruling that Evercrest/Megaheights are the beneficial users of the realties subject to real property tax (RPT). It claims that a stipulation in the Compromise Agreement[3] granting Evercrest/Mega Heights' possession, full control and enjoyment of the subject realty is not tantamount to beneficial use thereof since no proof exists that its predecessor derived any profit, benefit, or advantage over the subject properties. For lack of sufficient proof evidencing beneficial use by Evercrest/Mega Heights, it is presumed that it is with respondent province. Therefore, the realty is exempt from RPT under Section 234(a) of the LGC.

Further, a review of the subject Compromise Agreement between the respondent province and Evercrest/Mega Heights, particularly paragraph 6 thereof, indicates that the RPT liability on the covered realty would attach only upon the transfer of title from the former to the latter. Since the condition for the RPT liability did not occur as no transfer of title from the name of respondent province to Evercrest/Mega Heights transpired, no RPT shall be due thereon. On this account, respondent provincial treasurer's assessment has no leg to stand on since she is precluded from subjecting to RPT the real properties covered by the subject compromise agreement.

Petitioner finally argues that it is beyond respondent's province to impose RPT upon its real properties for it is a government instrumentality exercising governmental

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[2] Ibid. pp. 212-224.
[3] Annex K, Petition for Review.

functions in the field of banking. Respondent Provincial Treasurer of Batangas cannot subject the pertinent realties to RPT, by virtue of Section 133(o)[4] of the LGC and *Mactan*[5] case. On the strength of the foregoing grounds, it is entitled to the refund of erroneously/illegally collected RPT that it paid on the subject real properties.

In their Manifestation[6] dated June 4, 2018, respondents opted to dispense with the filing of comment/opposition to the instant Motion for Reconsideration on the ground that the points put forward by petitioner were already meticulously ruled and passed upon by the Court in the assailed Decision of February 14, 2018.

THE RULING OF THE COURT

Section 234(a)[7] of the LGC spares from the imposition of RPT real properties owned by the Republic of the Philippines or any of its political subdivisions. By way of exception, when the State or its political subdivisions grants the beneficial use thereof to a taxable or private person then the RPT shall be borne by the latter.

Jurisprudence[8] teaches us that in real estate taxation, the unpaid tax attaches to the property and is chargeable against the taxable person who had actual or beneficial use and possession of it regardless of whether or not he is the owner thereof.

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[4] **Section 133.** *Common Limitations on the Taxing Powers of Local Government Units.* - Unless otherwise provided herein, the exercise of the taxing powers of provinces, cities, municipalities, and barangays shall not extend to the levy of the following: xxx

(o) Taxes, fees or charges of any kind on the National Government, its agencies and instrumentalities, and local government units.

[5] *Mactan-Cebu International Airport Authority (MCIAA) vs. City of Lapu-Lapu,* G.R. No. 181756, June 15, 2015.

[6] *Rollo,* pp. 278-281.

[7] SECTION 234. *Exemptions from Real Property Tax.* The following are exempted from payment of the real property tax:

(a) Real property owned by the Republic of the Philippines or any of its political subdivisions except when the beneficial use thereof has been granted, for consideration or otherwise, to a taxable person; xxx

[8] *Republic of the Philippines (represented by the Department of Energy [DOE]) vs. City of Kidapawan,* G.R. No. 166651, December 9, 2005.

Under paragraph 5[9] of the Compromise Agreement executed between respondent province and Evercrest/Mega Heights, the parties explicitly stipulated that the former shall allow the latter complete control and possession of the subject realties without interference from the respondent province, thus:

> 5. During effectivity of this Agreement, the FIRST PARTY (Province of Batangas) shall not encumber or mortgage the subject properties and shall allow the SECOND PARTIES (Evercrest/Mega Heights) <u>full control and possession of the subject properties without the least interference from the FIRST PARTY</u>.

Evident from the written covenant that Evercrest/Mega Heights enjoys full possession and control of the subject real properties. As such, the RPT due thereon is chargeable to it notwithstanding the fact that the realties are titled in the name of respondent province. As a legal maxim says, he who reaps the advantage also bears the disadvantage.

In addition, petitioner insists that respondent provincial treasurer failed to adduce satisfactory proof that Evercrest/Mega Heights derived any form of benefit on the subject realties, negating its alleged tax obligation.

The Court is not persuaded.

Section 9, Rule 130 of the Rules of Court declares *inter alia,* that when the terms of an agreement have been reduced to writing, it is the superlative evidence of the parties' and their successors-in-interest rights, duties and obligations under the contract.[10] Whatever is not found in the writing is understood to have been waived and abandoned.[11] This rule is animated by a perceived wisdom in deferring to the contracting parties' articulated intent. In choosing to reduce their agreement into writing, they are deemed to have done so meticulously and carefully,

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[9] Annex K, Petition for Review, *Rollo,* p. 82.

[10] Section 9. Evidence of written agreements. — When the terms of an agreement have been reduced to writing, it is considered as containing all the terms agreed upon and there can be, between the parties and their successors in interest, no evidence of such terms other than the contents of the written agreement. xxx

[11] See *Heirs of Deceased Carmen Cruz-Zamora vs. Multiwood International, Inc.,* G.R. No. 146428, January 19, 2009.

employing specific — frequently, even technical — language as are appropriate to their context.[12]

In this case, the Compromise Agreement entered into by respondent province and Evercrest/Mega Heights is a concreate and solid proof that the former bestowed upon the latter unbridled control and possession of the subject realties. Undeniably, full control and possession of the subject properties are benefits in themselves that petitioner enjoy under the Compromise Agreement.

Petitioner also theorizes that since the transfer of the titles to Evercrest/Mega Heights did not occur, the RPT for years 2004-2008 cannot be deemed to have accrued, invoking paragraph 6 of the subject Compromise Agreement.

On this regard, Article 1306[13] of the Civil Code relevantly provides that the parties are at a liberty to establish such conditions, clauses, stipulations as they may deem convenient in their agreement. However, the contract executed by the parties is not the only source of law that governs the rights and obligations of parties. Jurisprudence also provides that no contractual stipulation may contradict law, morals, good customs, public order or public policy.[14]

It bears stressing that the assessment and collection of taxes are matters of public policy since it is the lifeblood of the government and their certain availability is an imperious need.[15] Precisely, Section 246 of the LGC stringently decrees the period when liability for RPT shall arise, viz. – on the 1st of January of every year, no more, no less, thus:

> **Section 246.** *Date of Accrual of Tax.* - The <u>real property tax for any year **shall** accrue on the first day of January</u> and from that date it shall constitute a lien on the

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[12] See *Spouses Paras vs. Kimwa Consturction and Development Corporation,* G.R. No. 171601, April 8, 2015.

[13] **Article 1306.** The contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy.

[14] See *Power Sector Assets and Liabilities Management Corporation vs. Pozzolanic Philippines Incorporated,* G.R. No. 183789, August 24, 2011.

[15] See *Commissioner of Internal Revenue vs. Next Mobile, Inc. (formerly Nextel Communications Phils., Inc.),* G.R. No. 212825, December 7, 2015.

> property which shall be superior to any other lien, mortgage, or encumbrance of any kind whatsoever, and shall be extinguished only upon the payment of the delinquent tax.

Plainly, paragraph 6[16] of the Compromise Agreement, which renders the RPT liability dependent on the date when the realties are transferred in the name of Evercrest/Mega Heights cannot override the explicit mandate of Section 246 of the LGC, strictly setting the accrual of RPT on January 1 of each year. Consistent with the provision, Evercrest/Mega Heights' liability for RPT on the subject properties ensued every 1st of January for the years 2004-2008 irrespective of the parties' covenant under the Compromise Agreement. Parties may not contract away applicable provisions of law, especially peremptory provisions dealing with matters heavily impressed with public interest.[17]

In a final attempt to sway the Court to grant the refund it prayed for, petitioner asserts that the ruling of the Supreme Court in the *MCIAA* case finds application in the present controversy, where it was held that government instrumentalities such as the BSP are exempt from the imposition of RPT.

The assertion is specious.

In the *MCIAA* case, respondent City Treasurer therein sought to impose RPT on the lots, as well as the airport terminal building, airfield, runway and taxiway, all of which were managed, controlled, and supervised by Mactan-Cebu International Airport Authority (MCIAA) by virtue of Republic Act (R.A.) No. 6958. In upholding the tax-exempt status of the foregoing real properties, the Supreme Court ruled that since MCIAA is a government instrumentality, such real properties utilized for public use which are managed, supervised and controlled by it are exempt from the imposition of RPT, per Section 133(o)[18] of the LGC. Thus, for

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[16] 6. The SECOND PARTIES (Evercrest/Mega Heights) will regularly settle the accruing realty tax liabilities on the subject properties once they are titled in its name. See *rollo,* p.82.

[17] See *Halaguea vs. Philippine Airlines, Incorporated,* G.R. No. 172013, October 2, 2009.

[18] See Note 4.

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such exemption to arise, two (2) conditions must concur: 1) the claimant should be a government instrumentality; and 2) the claimant-government instrumentality must retain possession of the real property at the time of imposition of the RPT.

It is evident that the *first* condition has been satisfied since petitioner is a government instrumentality carrying out governmental function. However, the *second* condition is wanting. *Jus possidendi* of the real properties remained with private entities Evercrest/Mega Heights at the precise moment that respondent Provincial Treasurer subjected them to RPT for the periods spanning 2004-2008. Such real properties therefore are not excused from the imposition of RPT. As successor-in-interest of the latter's legal rights and obligations, petitioner must ultimately bear the unaccounted RPT incurred by its predecessor. Having paid the RPT correctly and legally due on the subject realties for years covering 2004-2008, no refund shall be forthcoming in favor of petitioner.

WHEREFORE, petitioner's *Motion for Reconsideration* dated March 26, 2018 is **DENIED,** for lack of merit. The Decision of February 14, 2018 is **AFFIRMED**.

SO ORDERED.

ESPERANZA R. FABON-VICTORINO
Associate Justice

We Concur:

ROMAN G. DEL ROSARIO
Presiding Justice

JUANITO C. CASTAÑEDA, JR.
Associate Justice

ERLINDA P. UY
Associate Justice

CIELITO N. MINDARO-GRULLA
Associate Justice

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

CATHERINE T. MANAHAN
Associate Justice