REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

THIRD DIVISION

LORENZO ENG CHONG J. ONG AND WILSON S. ONG FOR HIMSELF AND IN HIS CAPACITY AS LEGAL GUARDIAN OF CAITLYN WYANNE S. SOCO AND COLLEEN WAYNNE C. ONG, *Petitioners,*	**CTA AC NO. 309**
- *versus* -	Members:
PASAY CITY AND HON. EMELITO B. TECSON IN HIS CAPACITY AS CITY TREASURER OF PASAY CITY, *Respondents.*	**REYES-FAJARDO,** *Acting Chairperson,* and **ANGELES,** ***JJ.*** Promulgated: JAN 12 2026 3:50 pm

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DECISION

ANGELES, J.:

The *Petition for Review*[1] filed on November 22, 2023, seeks the reversal of the Decision dated October 11, 2023[2] (assailed Decision) rendered by the Regional Trial Court (RTC) of Pasay City, Branch 114 (court *a quo*), in Civil Case No. R-PSY-22-03073-CV, entitled *Lorenzo Eng Chong J. Ong and Wilson S. Ong, for Himself and in His Capacity as Legal Guardian of Caitlyn Wyanne C. Soco and Colleen Waynne C. Ong v. Pasay City and Hon. Emelito D. Tecson in His Capacity as City Treasurer of Pasay City.*

The dispositive portion of the assailed Decision reads:

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[1] Docket, pp. 5 to 54.
[2] *Id.* at 57 to 69; Regional Trial Court (RTC) Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), pp. 469 to 481.

> **WHEREFORE**, premises considered, the instant Complaint filed by plaintiffs Lorenzo Eng Chong J. Ong and Wilson S. Ong, for himself and in his capacity as legal guardian of Caitlyn Wyanne C. Soco and Colleen Wayne C. Ong against defendants Pasay City and Hon. Emelito D. Tecson in his capacity as City Treasurer of Pasay City is DISMISSED for lack of cause of action and for lack of merit. All other claims are DISMISSED.
>
> **SO ORDERED.**

THE PARTIES

Petitioner Lorenzo Eng Chong J. Ong is of legal age, Filipino, a widower, and a resident of 1844 Taft Avenue, Pasay City, Metro Manila.[3]

Petitioner Wilson S. Ong is of legal age, Filipino, married, and a resident of 1801 Pomelo Street, Dasmariñas Village, Makati City, Metro Manila. His children, Caitlyn Wyanne C. Soco and Colleen Waynne C. Ong, are both minors, Filipinos, single, and residents of the same address.[4]

Petitioners may be served with copies of notices, orders, and other legal processes of the Court through the office of their counsel of record at the 4th Floor, ACT Tower, 135 H.V. dela Costa Street, Salcedo Village 1227, Makati City, Metro Manila.[5]

Respondent Pasay City is a local government unit (LGU)[6] created pursuant to Republic Act (R.A.) No. 183, as amended, otherwise known as the "Charter of Pasay City."[7]

Respondent City Treasurer, pursuant to his general powers and responsibilities under R.A. No. 183, as amended, holds office at the Ground Floor, Pasay City Hall, F.B. Harrison Street, Pasay City, Metro Manila.[8]

Respondents are represented by the Office of the City Legal Officer of Pasay City, with office address at Room 205, Pasay City Hall, F.B. Harrison Street, Pasay City, 1702 Metro Manila, where

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[3] *Id.*, *Petition for Review*, p. 10, par. 6.
[4] *Id.* at par. 7.
[5] *Id.* at pars. 6 to 7; p. 51.
[6] RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), *Pre-Trial Order*, Facts Admitted by the Plaintiff/s, part III.a.1., p. 322.
[7] Docket, *Petition for Review*, p. 10, par. 8.
[8] *Id.* at pp. 10 to 11, par. 8.

they may be served with notices, orders, and other legal processes of the Court.[9]

THE ANTECEDENTS (ADMINISTRATIVE LEVEL)

On December 10, 1973, Lorenzo Eng Chong J. Ong (Lorenzo) contracted marriage with Carmen Soco Ong (Carmen) (collectively, the Spouses Ong).[10] Prior to the marriage, Carmen was the absolute and exclusive owner of two (2) parcels of land (exclusive properties).[11] During the subsistence of their marriage, the Spouses Ong thereafter acquired eight (8) parcels of land,[12] which constituted conjugal properties (conjugal properties). All said properties are situated[13] in Pasay City, and are duly registered with the Registry of Deeds thereof,[14] with the following particulars:[15]

Exclusive Properties

TCT No.	Tax Declaration No.	Date of Registration
17999[16]	C3-044-00060[17] and C3-044-00061[18]	August 31, 1973[19]
18000[20]	C3-044-00058,[21] C3-044-00430,[22] and C3-044-00059[23]	August 31, 1973[24]

Conjugal Properties

TCT No.	Tax Declaration No.	Date of Registration
40532[25]	C3-044-00432[26]	August 27, 1981[27]
40533[28]	C3-044-00431[29] and C3-044-00435[30]	August 27, 1981[31]

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9 *Ibid.*
10 RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibit "B," p. 71.
11 RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), *Pre-Trial Order*, Facts Admitted by the Defendant/s, part III.b.3., p. 324.
12 *Ibid.*
13 *Id.*, *Pre-Trial Order*, Facts Admitted by the Plaintiff/s, part III.a.3., p. 322.
14 RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibits "C" to "L," inclusive of sub-markings, pp. 72 to 111.
15 RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), *Pre-Trial Order*, Facts Admitted by the Plaintiff/s, part III.a.4., p. 323.
16 RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibit "C," pp. 72 to 75.
17 *Id.*, Exhibit "AA," p. 163.
18 *Id.*, Exhibit "AA-1," p. 164.
19 *Id.*, Exhibit "C-1," p. 72.
20 *Id.*, Exhibit "D," pp. 76 to 79.
21 *Id.*, Exhibit "Z-1," p. 161.
22 *Id.*, Exhibit "Z," p. 160.
23 *Id.*, Exhibit "Z-2," p. 162.
24 *Id.*, Exhibit "D-1," p. 76.
25 *Id.*, Exhibit "I," pp. 96 to 99.
26 *Id.*, Exhibit "X," p. 158.
27 *Id.*, Exhibit "I-1," p. 96.
28 *Id.*, Exhibit "K," pp. 104 to 107.
29 *Id.*, Exhibit "BB-1," p. 166.

54732[32]	C3-044-00065[33]	September 02, 1982[34]
54735[35]	C3-044-00066[36]	September 02, 1982[37]
54734[38]	C3-044-00062[39]	September 02, 1982[40]
54773[41]	C3-044-00068[42] and C3-044-00067[43]	September 02, 1982[44]
133336[45]	C1-085-00170[46]	December 13, 1993[47]
133337[48]	C1-085-00173[49]	December 13, 1993[50]

On April 13, 2021, Carmen died[51] intestate, leaving as her compulsory heirs her surviving spouse, *(1)* Lorenzo, and her children, *(2)* Wilson S. Ong (Wilson), and *(3)* Jane Christine Soco (Jane).

On April 08, 2022, Lorenzo, Wilson, and Jane executed[52] an *Extrajudical Settlement of the Estate of the Late Carmen Soco Ong with Renunciation, and Waiver of Rights*[53] (*Extrajudicial Settlement*). Therein, Lorenzo and Jane expressly repudiated, renounced, and waived all their respective hereditary rights over Carmen's estate in favor of Wilson, covering both her *(1)* exclusive properties, and her *(2)* one-half (1/2) share in the conjugal properties.[54]

Subsequently, on July 01, 2022, Lorenzo executed[55] a *Deed of Donation*,[56] whereby he gratuitously conveyed his one-half (1/2) share in the conjugal properties in favor of his grandchildren, namely,

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30 *Id.*, Exhibit "BB," p. 165.
31 *Id.*, Exhibit "K-1," p. 104.
32 *Id.*, Exhibit "F," pp. 84 to 87.
33 *Id.*, Exhibit "U," p. 155.
34 *Id.*, Exhibit "F-1," p. 84.
35 *Id.*, Exhibit "H," pp. 92 to 95.
36 *Id.*, Exhibit "W," p. 157.
37 *Id.*, Exhibit "H-1," p. 92.
38 *Id.*, Exhibit "J," pp. 100 to 103.
39 *Id.*, Exhibit "Y," p. 159.
40 *Id.*, Exhibit "J-1," p. 100.
41 *Id.*, Exhibit "L," pp. 108 to 111.
42 *Id.*, Exhibit "CC-1," p. 168.
43 *Id.*, Exhibit "CC," p. 167.
44 *Id.*, Exhibit "L-1," p. 108.
45 *Id.*, Exhibit "E," pp. 80 to 83.
46 *Id.*, Exhibit "T," p. 154.
47 *Id.*, Exhibit "E-1," p. 80.
48 *Id.*, Exhibit "G," pp. 88 to 91.
49 *Id.*, Exhibit "V," p. 156.
50 *Id.*, Exhibit "G-1," p. 88.
51 *Id.*, Exhibit "A," p. 70.
52 RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), *Pre-Trial Order*, Facts Admitted by the Plaintiff/s, part III.a.2., p. 322; Facts Admitted by the Defendant/s, part III.b.2., p. 324.
53 RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibit "M," pp. 112 to 117.
54 *Id.* at p. 116.
55 RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), *Pre-Trial Order*, Facts Admitted by the Plaintiff/s, part III.a.2., p. 322; Facts Admitted by the Defendant/s, part III.b.2., p. 324.
56 RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibit "N," pp. 118 to 120.

(1) Caitlyn Wyanne C. Soco (Caitlyn), and *(2)* Colleen Waynne C. Ong (Colleen), both children of Wilson.

On October 04, 2022, petitioners, acting through counsel, submitted a Letter dated October 03, 2022[57] to the City Treasurer of Pasay City, requesting the issuance of duly signed and official assessments of the transfer taxes arising from the conveyances effected through the *(1) Extrajudicial Settlement*[58] and the *(2) Deed of Donation*,[59] the prior assessments having been unsigned. A Follow-up Letter dated October 14, 2022[60] was thereafter submitted and received by the City Treasurer.

On October 24, 2022, petitioners received twenty-eight (28) official Transfer Tax Orders of Payment[61] issued by the City Treasurer, covering the transfers of ownership over real properties located in Pasay City arising from: *(1)* intestate succession;[62] *(2)* repudiation and waiver of hereditary shares;[63] and *(3)* the donation[64] executed[65] by Lorenzo.

On October 28, 2022, petitioners paid the assessed transfer taxes, including surcharges, interests, Secretary's Fees, and Transfer Fees, as reflected in the twenty-eight (28) Transfer Tax Orders of Payment,[66] as evidenced by twenty-eight (28) Official Receipts[67] issued by the City Treasurer. In addition, the petitioners settled the Secretary's Fees and Application Fees levied by the Local Government of Pasay City, likewise supported by a separate set of twenty-eight (28) Official Receipts[68] issued by the City Treasurer. At that time, the Official Receipts bore no annotation of "Paid Under Protest."

On November 03, 2022, petitioners lodged a *Protest on the Official Assessments for Transfer Taxes on The Extrajudicial*

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[57] *Id.*, Exhibit "O," pp. 121 to 123.
[58] *Id.*, Exhibit "M," pp. 112 to 117.
[59] *Id.*, Exhibit "N," pp. 118 to 120.
[60] *Id.*, Exhibit "P," pp. 124 to 125.
[61] *Id.*, Exhibits "Q" to "Q-9" "R" to "R-9," and "S" to "S-7;" RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), *Pre-Trial Order*, Facts Admitted by the Plaintiff/s, part III.a.5., p. 323; Facts Admitted by the Defendant/s, part III.b.5., p. 324.
[62] RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibits "Q" to "Q-9," pp. 126 to 135.
[63] *Id.*, Exhibits "R" to "R-9," pp. 136 to 145.
[64] *Id.*, Exhibits "S" to "S-7," pp. 146 to 153.
[65] *Id.*, Exhibit "N," pp. 118 to 120.
[66] *Id.*, Exhibits "Q" to "Q-9," pp. 126 to 135; "R" to "R-9," pp. 136 to 145; and Exhibits "S" to "S-7," pp. 146 to 153.
[67] *Id.*, Exhibits "DD" to "DD-27," pp. 169-196; RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), *Pre-Trial Order*, Facts Admitted by the Plaintiff/s, part III.a.5., p. 323; Facts Admitted by the Defendant/s, part III.b.8, p. 324.
[68] RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibits "EE" to "EE-27," pp. 197 to 224; RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), *Pre-Trial Order*, Facts Admitted by the Plaintiff/s, part III.a.5., p. 323.

Settlement of the Estate of the Late Carmen Soco Ong with Renunciation, Repudiation, and Waiver of Rights dated 08 April 2022 and Deed of Donation dated 01 July 2022 and Claim for Refund[69] dated November 02, 2022 (*Protest and Claim for Refund*), assailing the Transfer Tax Orders of Payment. The *Protest and Claim for Refund*, received by the City Treasurer,[70] sought the correction of errors in the Transfer Tax Orders of Payment and a refund of any overpaid transfer taxes, including applicable surcharges and interests, arising from the transfers of real properties under both the *Extrajudicial Settlement*[71] and the *Deed of Donation*.[72]

On November 14, 2022, petitioners received two (2) Letters dated November 09, 2022 from the City Treasurer. The *first*[73] informed them that the annotation "Paid Under Protest" would be stamped on the original Official Receipts. The *second*[74] furnished petitioners with a copy of the Legal Opinion issued by the Office of the City Legal Officer of Pasay City, which stated that while there was no objection to annotating the receipts as "Paid Under Protest," the issues concerning the correctness of the transfer tax assessments must be fully ventilated before the proper forum upon the filing of the appropriate petition.

Accordingly, on November 14, 2022, the back portions of the Official Receipts were stamped with the annotation "Paid Under Protest."[75]

On November 17, 2022, petitioners submitted a Reply-Letter dated November 16, 2022[76] to the Office of the City Treasurer,[77] invoking Sections 195 and 196 of the Local Government Code (LGC). Petitioners emphasized that the statutory procedure for contesting local tax assessments requires the filing of a written protest and claim for refund with the local treasurer, who is duty-bound to resolve the

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[69] RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibit "FF," pp. 225 to 233.

[70] RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), *Pre-Trial Order*, Facts Admitted by the Plaintiff/s, part III.a.11., p. 323; Facts Admitted by the Defendant/s, part III.b.9., pp. 324 to 325.

[71] RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibit "M," pp. 112 to 117.

[72] *Id.*, Exhibit "N," pp. 118 to 120.

[73] *Id.*, Exhibit "GG," p. 234; RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), *Pre-Trial Order*, Facts Admitted by the Plaintiff/s, part III.a.12., p. 323; Facts Admitted by the Defendant/s, part III.b.11, p. 325.

[74] RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibit "HH," p. 235; RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), *Pre-Trial Order*, Facts Admitted by the Plaintiff/s, part III.a.12., p. 323; Facts Admitted by the Defendant/s, part III.b.10, p. 325.

[75] RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibits "EE" to "EE-27," pp. 197 to 224; RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), *Pre-Trial Order*, Facts Admitted by the Plaintiff/s, part III.a.12., p. 323; Facts Admitted by the Defendant/s, part III.b.11, p. 325.

[76] RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibit "JJ," pp. 238 to 239.

[77] RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), *Pre-Trial Order*, Facts Admitted by the Plaintiff/s, part III.a.13., p. 324; Facts Admitted by the Defendant/s, part III.b.12., p. 325.

same within sixty (60) days from filing. They further asserted that the Legal Opinion of the City Legal Officer did not supplant the City Treasurer's obligation to act on their protest. Petitioners thus manifested their intention to await the City Treasurer's resolution of their *Protest and Claim for Refund*.[78]

On November 24, 2022, petitioners received a Letter dated November 22, 2022[79] from the City Treasurer, stating that he was adhering to the Legal Opinion of the City Legal Officer,[80] which advised that the issues raised in the protest be addressed before the appropriate forum in order to establish the legal bases of petitioners' claims.

Thereafter, on December 06, 2022, petitioners submitted a Letter dated December 02, 2022[81] to the City Treasurer, stating that, in view of the City Treasurer's refusal to categorically resolve their written *Protest and Claim for Refund*, they shall construe his Letter dated November 22, 2022,[82] adhering to the Legal Opinion of the Pasay City Legal Officer, as an implied or constructive denial thereof. Petitioners thus treated their receipt of said Letter as the reckoning point for seeking judicial recourse to assail the Transfer Tax Orders of Payment.[83]

PROCEEDINGS BEFORE THE COURT *A QUO*

On December 27, 2022, petitioners filed a *Complaint*,[84] praying that judgment be rendered:

> i. x x x ordering [respondents] to revise the twenty-six (26) erroneous Transfer Tax Orders of Payment and to refund to [petitioners] their excess erroneous Transfer Tax in the aggregate amount of Three Million Three Hundred Eleven Thousand Two Hundred Seventy[-]Six and 24/100 Pesos (₱3,311,276.24), plus legal interest due thereon at the rate of six percent (6%) per annum from 28 October 2022;

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[78] *Id.*, *Pre-Trial Order*, Facts Admitted by the Defendant/s, part III.b.13., p. 325.
[79] RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibit "KK," p. 240.
[80] RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), *Pre-Trial Order*, Facts Admitted by the Plaintiff/s, part III.a.14., p. 324; Facts Admitted by the Defendant/s, part III.b.14., p. 325.
[81] RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibit "LL," pp. 241 to 242.
[82] *Id.*, Exhibit "KK," p. 240.
[83] RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), *Pre-Trial Order*, Facts Admitted by the Plaintiff/s, part III.a.14., p. 324; Facts Admitted by the Defendant/s, part III.b.15., p. 325.
[84] RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), pp. 1 to 24.

ii. x x x ordering [respondents] to pay [petitioners] the amount of Two Hundred Thousand Pesos (₱200,000.00), by way of exemplary damages; and

iii. x x x ordering [respondents] to pay [petitioners] litigation expense and attorney's fees as may be proven during the proceedings of the instant case.[85]

In filing the *Complaint*, Wilson also represented his daughters, Caitlyn and Colleen, as their legal guardian.

Respondents filed their *Answer* dated March 01, 2023[86] on March 02, 2023.

The RTC-Branch 114 of Pasay City issued a *Notice of Pre-Trial*[87] on March 07, 2023, setting the case for pre-trial, Court-Annexed Mediation (CAM), and Judicial Dispute Resolution (JDR) on April 17, April 19, and May 22, 2023, respectively.

On April 11, 2023, respondents filed their *Pre-Trial Brief (For Defendants)* dated April 04, 2023,[88] while petitioners filed their *Pre-Trial Brief* dated April 12, 2023[89] on April 14, 2023.

The pre-trial was conducted on April 17, 2023, and on the same date, the *Pre-Trial Order*[90] was issued. The parties subsequently proceeded with CAM[91] and JDR; however, as reflected in the Orders dated May 15, 2023,[92] and the JDR Court's Order dated May 25, 2023,[93] the mediation and JDR proceedings were unsuccessful.

Meanwhile, on June 02, 2023, petitioners filed an *Omnibus Motion (for 1. Permanent Marking and 2. Partial Summary Judgment)* dated June 01, 2923[94] (*Omnibus Motion*). In response, respondents filed their *Comment [(Re: Plaintiff's Omnibus Motion (For 1. Permanent Marking and 2. Partial Summary Judgment)]* dated June 05, 2023[95] on June 07, 2023.

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85 *Id.* at 23.
86 RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), pp. 255 to 265.
87 *Id.* at 272 to 273.
88 *Id.* at 274 to 282.
89 *Id.* at 284 to 312.
90 *Id.* at 322 to 330.
91 *Id.* at 344.
92 *Id.* at 347.
93 Docket, *Petition for Review*, p. 23, par. 43.
94 RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), pp. 349 to 385.
95 *Id.* at 388 to 395.

In its Resolution dated June 16, 2023,[96] the trial court granted petitioners' request to make the provisional markings permanent, but denied petitioners' prayer for partial summary judgment for lack of merit, citing the existence of genuine issues of material fact requiring trial on the merits.

Trial ensued.

On July 03, 2023, petitioners effected the permanent markings,[97] and presented[98] their sole witness, Wilson, who testified through his *Judicial Affidavit of Wilson Soco Ong* dated December 16, 2022.[99] On the same date, petitioners filed their *Formal Offer of Evidence,*[100] to which respondents submitted a *Comment (Re: Plaintiffs' Formal Offer of Evidence)* dated July 12, 2023.[101] In its Resolution dated July 13, 2023,[102] the trial court admitted all the petitioners' documentary evidence.

On August 07, 2023, respondents manifested in open court that they would no longer present evidence in support of their defenses.[103] Accordingly, by Order dated August 07, 2023,[104] the case was submitted for decision.

Subsequently, on October 25, 2023, the petitioners received the assailed Decision[105] rendered by the court *a quo*, dismissing their *Complaint* for lack of cause of action and for lack of merit.

PROCEEDINGS BEFORE THIS COURT

On November 22, 2023, petitioners filed the present *Petition for Review.*[106] Prior to giving it due course, the Court, in a Minute Resolution dated December 19, 2023,[107] directed the respondents to file their comment thereto. In the same Resolution, the Branch Clerk of Court of RTC-Branch 114 of Pasay City was likewise instructed to transmit the complete original records of the case, which were duly forwarded on March 14, 2024.[108]

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[96] *Id.* at 397 to 398.
[97] *Id.* at 419.
[98] *Id.* at 420.
[99] RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), pp. 33 to 69.
[100] RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), pp. 399 to 417.
[101] *Id.* at 455 to 461.
[102] *Id.* at 464.
[103] *Id.* at 467.
[104] *Ibid.*
[105] *Id.* at 469 to 481; Docket, pp. 57 to 69.
[106] Docket, pp. 5 to 54.
[107] *Id.* at 481.
[108] *Id.* at 497 to 517.

Respondent then posted its *Comment to the Petition for Review)*[109] on February 23, 2024, the hard copies of which were received by the Court on February 28, 2024.

In a Minute Resolution dated March 13, 2024,[110] the Court took note of the respondents' comment, and thereafter, ordered the parties to submit their respective memoranda.

Petitioners filed their *Memorandum*[111] on May 10, 2024, while the respondents posted their *Memorandum (For Respondents)*[112] on November 11, 2024, with the hard copies received by the Court on November 14, 2024. Upon noting both memoranda,[113] the case was submitted for decision.[114]

THE ISSUES

The issues submitted for the Court's resolution are stated as follows:

i. WHETHER OR NOT PETITIONERS ARE ENTITLED TO CLAIM REFUND OF THEIR OVERPAID TRANSFER TAXES IN THE AGGREGATE AMOUNT OF THREE MILLION THREE HUNDRED ELEVEN THOUSAND TWO HUNDRED SEVENTY-SIX AND 24/100 PESOS (P3,311,276.24); and

ii. WHETHER OR NOT RESPONDENTS ARE LIABLE FOR DAMAGES AND ATTORNEY'S FEES.[115]

ARGUMENTS OF THE PARTIES

Petitioners' arguments

First. Petitioners fault the court *a quo* for sustaining the City Treasurer's computation of transfer taxes based on the *entire* fair market value reflected in the Tax Declarations of the conjugal properties, considering that each property was covered by only one

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[109] *Id.* at 482 to 492.
[110] *Id.* at 496.
[111] *Id.* at 519 to 577.
[112] *Id.* at 582 to 595.
[113] *Id.* at 580; 600.
[114] *Id.* at 600.
[115] *Id.*, *Petition for Review*, p. 21.

(1) Tax Declaration, and that no separate Tax Declarations existed for the respective undivided shares of the Spouses Ong.

Expounding on this position, petitioners argue that the proper tax base should have been the fair market value only of the portions actually transferred, namely: *(1)* the shares transmitted by intestate succession under the *Extrajudicial Settlement*; and *(ii)* the shares conveyed by donation under the *Deed of Donation*, rather that the full fair market value of the properties in both instances. Petitioners further assert that the statutory text of Section 135 of the LGC and Section 16 of the Pasay City Revenue Code, which notably omit the qualifier "total" in describing the fair market value of the property, must be strictly construed against the taxing authority and liberally in favor of the taxpayer, consistent with settled principles of tax law.

Second. Petitioners posit that no transfer tax is imposable on the repudiation or renunciation of inheritance, as no transfer of ownership, in the contemplation of law, thereby occurs. At any rate, assuming *arguendo* that the repudiation is taxable, petitioners submit that the transfer tax should have been assessed only on the aliquot portions actually repudiated, specifically the two-thirds (2/3) shares of Lorenzo and Jane in Carmen's exclusive properties and in her one-half (1/2) interest in the conjugal properties, and not on the entirety of the properties involved.

Third. Petitioners additionally aver that respondents, particularly the City Treasurer, violated their right to due process through arbitrary and oppressive acts, consisting of the erroneous computation of transfer taxes and the failure to categorically resolve petitioners' *Protest and Claim for Refund.* They assert that such conduct justifies an award of damages and attorney's fees.

Respondents' counter-arguments

First. Respondents, for their part, contend that the presumption of regularity accorded to the Tax Declarations submitted by petitioners outweighs the defense of *nemo dat quod non habet.* They further contend that, since each property was covered by a single Tax Declaration and no separate declarations existed in the respective names of Lorenzo and Carmen, the court *a quo* correctly held that the existing Tax Declarations constituted the proper basis for computing the transfer taxes, in accordance with R.A. No. 7160 and the Pasay City Revenue Code.

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Second. Respondents maintain that Section 135 of the LGC and Section 16 of the Pasay City Revenue Code are directory in nature, and when read harmoniously, point to a uniform reference for determining the tax base in the computation of transfer taxes.

Third. Respondents insist that petitioners' claim for damages is devoid of any legal basis and must, therefore, be denied.

RULING OF THE COURT

The *Petition for Review* is partly impressed with merit.

The Court has jurisdiction over the instant Petition.

The authority of the Court of Tax Appeals (CTA) to take cognizance of local tax cases is grounded on Section 7(a)(3) of R.A. No. 1125,[116] as amended by R.A. No. 9282,[117] which states:

> SEC. 7. Jurisdiction. – The CTA shall exercise:
>
> (a) Exclusive appellate jurisdiction to review by appeal, as herein provided:
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> x x x
>
> (3) **Decisions**, orders or resolutions **of the Regional Trial Courts in local tax cases** originally decided or resolved by them in the exercise of their original or appellate jurisdiction; (Emphases supplied)

Section 3(a)(3), Rule 4 of the Revised Rules of the Court of Tax Appeals[118] (RRCTA) explicitly vests in the CTA, sitting in Division, the exclusive appellate jurisdiction to review decisions, resolutions, and orders of the RTCs in local tax cases decided in the exercise of their original jurisdiction, *viz.*:

> SEC. 3. Cases within the jurisdiction of the **Court in Division.** – The Court in Division shall exercise:

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[116] An Act Creating the Court of Tax Appeals.

[117] An Act Expanding the Jurisdiction of the Court of Tax Appeals (CTA), elevating its rank to the level of a Collegiate Court with Special Jurisdiction and enlarging its membership, Amending for the Purpose Certain Sections of Republic Act No. 1125, As Amended, otherwise known as the Law Creating the Court of Tax Appeals, and for other purposes.

[118] A.M. No. 05-11-07-CTA, November 22, 2005.

> (a) Exclusive original over or appellate jurisdiction to review by appeal the following:
>
> x x x
>
> (3) **Decisions**, resolutions or orders **of the Regional Trial Courts in local tax cases** decided or resolved by them in the exercise of their original jurisdiction; (Emphases supplied)

Under Section 11 of R.A. No. 1125,[119] as amended by R.A. No. 9282,[120] a party aggrieved by a decision or ruling of the RTC may elevate the matter to the CTA by filing an appeal within thirty (30) days from receipt of the said decision or ruling, to wit:

> SEC. 11. Who May Appeal; Mode of Appeal; Effect of Appeal. — Any party adversely affected by a **decision**, ruling or inaction **of the** Commissioner of Internal Revenue, the Commissioner of Customs, the Secretary of Finance, the Secretary of Trade and Industry or the Secretary of Agriculture or the Central Board of Assessment Appeals or the **Regional Trial Courts may file an appeal with the CTA within thirty (30) days after the receipt of such decision or ruling** or after the expiration of the period fixed by law for action as referred to in Section 7(a)(2) herein. (Emphases supplied)

Here, petitioners received the assailed Decision,[121] denying their *Complaint*[122] on **October 25, 2023**.[123] Counting thirty (30) days therefrom, petitioners had until **November 24, 2023** within which to perfect an appeal before this Court.

Thus, petitioners' filing of the *Petition for Review*[124] on **November 22, 2023**, having been made within the reglementary period, properly vested this Court with jurisdiction over the case.

The court a quo erred in upholding the City Treasurer's computation of transfer taxes based on the full fair market values of the subject properties, as reflected in the Tax Declarations, when only portions

[119] *Supra* note 116.
[120] *Supra* note 117.
[121] Docket, pp. 57 to 69; RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), pp. 469 to 481.
[122] RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), pp. 1 to 24.
[123] Docket, *Petition for Review*, p. 9, par. 3.
[124] *Id.* at 5 to 54.

thereof were transferred.

At the outset, it is undisputed that the subject real properties situated in Pasay City comprise two (2) parcels exclusively owned by the late Carmen, and eight (8) parcels constituting conjugal properties jointly owned by the decedent and her surviving spouse, Lorenzo.

The *Extrajudicial Settlement*[125] establishes that the decedent died intestate, leaving behind her spouse, *(1)* Lorenzo, and children, *(2)* Wilson and *(3)* Jane. The same Deed further alleges that Lorenzo and Jane renounced their respective inheritances from the estate of Carmen. Such renunciation necessarily encompasses their shares in both the *(i)* two (2) properties exclusively owned by the decedent, and the *(ii)* eight (8) properties held under conjugal ownership.

In addition, Lorenzo executed a *Deed of Donation*,[126] thereby conveying his one-half (½) share in the conjugal properties directly in favor of his grandchildren, namely, *(1)* Caitlyn, and *(2)* Colleen.

To facilitate the transfer of the aforementioned properties, petitioners paid the assessed transfer taxes, some of which were paid under protest. While petitioners did not dispute the City Treasurer's computation of transfer taxes on the succession of Carmen's exclusive properties under the *Extrajudicial Settlement*, they nonetheless assail the amounts of the tax bases used by respondents in assessing the transfer taxes on all other real property transfers. These contested transfers, which form the subject of the present refund, involve the following:

(1) The intestate succession of Carmen's one-half (½) share in the conjugal properties to her heirs, Lorenzo, Wilson, and Jane;

(2) The donation by Lorenzo of his one-half (½) share in the conjugal properties to his grandchildren, Caitlyn and Colleen; and

(3) The repudiation by Lorenzo and Jane of their respective inheritances from Carmen's estate, which encompasses:

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[125] RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibit "M," pp. 112 to 117.
[126] *Id.*, Exhibit "N," pp. 118 to 120.

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i. Carmen's two (2) exclusive properties; and

ii. Carmen's one-half (½) share in the eight (8) conjugal properties.

Construction of Section 135(a) of the LGC under the 'Plain Meaning Rule'

To recall, respondents computed the transfer taxes using the entire amounts indicated in the respective Tax Declarations, without regard to whether the properties were exclusively owned by the decedent Carmen or only partially (conjugally) owned with her spouse, Lorenzo. The court *a quo*, as well as respondents in their *Answer*[127] and *Comment*,[128] relied solely on the fact that only a single Tax Declaration was submitted for each property, meaning that no separate Tax Declarations were presented to reflect the respective one-half (½) interests of the spouses in the conjugal properties. This conclusion, however, is drawn exclusively from their reading of Section 135(a) of the LGC and Section 16 of the Pasay City Revenue Code,[129] which respectively provide:

> **Section 135.** *Tax on Transfer of Real Property Ownership.*
>
> (a) The province may impose a tax on the sale, donation, barter, or on any other mode of transferring ownership or title of real property at the rate of not more than fifty percent (50%) of the one percent (1%) of the **total consideration involved in the acquisition of the property <u>or</u> of the <u>fair market value in case the monetary consideration involved in the transfer</u>** is not substantial, **whichever is higher**. The sale, transfer or other disposition of real property pursuant to R.A. No. 6657 shall be exempt from this tax. (Emphases and underscoring supplied)
>
> x x x
>
> SECTION 16. Rate of Tax. — The City Treasurer shall collect a tax in the transfer of real property ownership at the rate of seventy five percent (75%) of one percent (1%) of the **total consideration involved in the acquisition of the property <u>or</u> of the <u>fair market value in case of monetary consideration involved in the transfer</u>** is not substantial, **whichever is higher**. (Emphases and underscoring supplied)

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[127] RTC Docket – Vol. II (Civil Case No. R-PSY-22-03073-CV), pp. 255 to 265.
[128] Docket, pp. 482 to 492.
[129] An Ordinance Amending Ordinance No. 241, Series of 1993 (Pasay City Revenue Code), Pasay Ordinance No. 1614-99, December 01, 1999.

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Well-entrenched in jurisprudence is the cardinal rule of statutory construction that **if the language of the law is clear, explicit, and unequivocal, it admits no room for interpretation but requires mere application.** Only statutes with an ambiguous or doubtful meaning may be the subject of statutory construction.[130]

A statute is deemed ambiguous if it admits of two (2) or more possible meanings, in which case, the Court is called upon to exercise one of its judicial functions, which is to interpret the law according to its true intent.[131] Otherwise, from the words of a statute there should be no departure.[132]

In this case, the language of Section 135(a) of the LGC, from which Section 16 of the Pasay City Revenue Code[133] is directly derived, is **straightforward, uncomplicated, and unambiguous** so much so that the letter and intent thereof cannot be mistaken. The provision unequivocally authorizes the local government unit to levy a tax on the transfer of real property at a rate not exceeding fifty percent (50%) of one percent (1%), or, in the case of Pasay City, seventy-five percent (75%) of one percent (1%), based on either: *(1)* the total consideration involved in the acquisition of the property; **or** *(2)* the fair market value, where the monetary consideration involved in the transfer is not substantial, whichever is higher. The legislature deliberately uses the disjunctive term "**or**," which unmistakably denotes disassociation or independence.[134]

Neither party disputes the applicable tax rate of seventy-five percent (75%) of one percent (1%) for the computation of the transfer taxes, the imposition of the twenty-five percent (25%) surcharge, or the rates applied in the assessment of interest. Likewise, there is no dispute that the fair market value constitutes the proper basis for computation, given that the transfers arose from intestate succession and donation, where the monetary consideration involved is not substantial. The remaining issue, therefore, is whether the tax should be computed based on the *entire* fair market value reflected in the Tax Declarations or only the *portion* corresponding to the share actually transferred.

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[130] *Miramar Fish Co., Inc. v. Commissioner of Internal Revenue*, G.R. No. 185432, June 04, 2014 [Per J. Perez, Second Division].

[131] *Coca-Cola Bottlers Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 222428, February 19, 2018 [Per J. Peralta, Second Division].

[132] *Camp John Hay Development Corp. v. Central Board of Assessment Appeals*, G.R. No. 169234, October 02, 2013 [Per J. Perez, Second Division].

[133] *Supra* note 129.

[134] Agpalo, *Statutory Construction*, (4th Ed. 1998), p. 201.

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Based on the clear wording of the law, the term "fair market value" necessarily pertains only to the portion of the property actually transferred, neither more nor less. Nowhere does Section 135(a) of the LGC or Section 16 of the Pasay City Revenue Code prescribe that the fair market values reflected in the Tax Declarations be applied in full, regardless of whether the transfer involves the entire property or merely an undivided portion thereof. This interpretation adheres faithfully to the unambiguous wording of the statute, and, therefore, must be applied as written.

Transfer taxes must be computed using tax bases proportionate to the shares actually transferred.

It is further undisputed that the property relations of spouses Lorenzo and Carmen Ong are governed by the conjugal partnership of gains, by virtue of their marriage on December 10, 1973,[135] prior to the effectivity of the Family Code of the Philippines.[136] During this period, in the absence of any marriage settlement, the system of conjugal partnership of gains governs the spouses' property relations.[137]

In *Uy v. Estate of Vipa Fernandez*,[138] the Supreme Court recognized that, under the regime of conjugal partnership of gains, spouses are co-owners of all conjugal properties. Upon the death of one (1) spouse, the surviving spouse automatically acquires an actual and vested one-half (1/2) undivided share, while the deceased spouse's one-half (1/2) share is transmitted to the heirs, thereby creating an implied co-ownership. Although no co-owner may assert ownership over a specific portion of the property prior to its liquidation and partition, each holds an ideal or abstract share, and may validly dispose of or alienate his/her undivided interest. Thus:

> It bears stressing that under the regime of conjugal partnership of gains, the husband and wife are co-owners of all the property of the conjugal partnership. Thus, **upon the termination of the conjugal partnership of gains due to the death of either spouse, <u>the surviving spouse has an actual and vested one-half undivided share of the properties</u>, which does not consist of determinate and segregated properties until liquidation and partition of the conjugal partnership. With respect, however, to the deceased spouse's share in the conjugal partnership properties, <u>an implied ordinary</u>**

[135] RTC Docket – Vol. 1 (Civil Case No. R-PSY-22-03073-CV), Exhibit "B," p. 71.
[136] Executive Order No. 209, July 06, 1987.
[137] Civil Code of the Philippines, Article 119.
[138] G.R. No. 200612, April 05, 2017 [Per J. Reyes, Third Division].

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> **<u>co-ownership ensues among the surviving spouse and the other heirs of the deceased</u>.**
>
> Thus, upon Vipa's death, one-half of the subject property was automatically reserved in favor of the surviving spouse, Levi, as his share in the conjugal partnership. The other half, which is Vipa's share, was transmitted to Vipa's heirs — Grace Joy, Jill Frances, and her husband Levi, who is entitled to the same share as that of a legitimate child. The ensuing implied co-ownership is governed by Article 493 of the Civil Code, which provides:
>
>> Article 493. Each co-owner shall have the full ownership of his part and of the fruits and benefits pertaining thereto, and he may therefore alienate, assign or mortgage it, and even substitute another person in its enjoyment, except when personal rights are involved. But the effect of the alienation or the mortgage, with respect to the co-owners, shall be limited to the portion which may be allotted to him in the division upon the termination of the co-ownership. (Emphasis ours)
>
> Although Levi became a co-owner of the conjugal partnership properties with Grace Joy and Jill Frances, he could not yet assert or claim title to any specific portion thereof without an actual partition of the property being first done either by agreement or by judicial decree. Before the partition of a land or thing held in common, no individual or co-owner can claim title to any definite portion thereof. All that the co-owner has is an ideal or abstract quota or proportionate share in the entire land or thing.
>
> Nevertheless, a co-owner could sell his undivided share; hence, Levi had the right to freely sell and dispose of his undivided interest. Thus, the sale by Levi of his one-half undivided share in the subject property was not necessarily void, for his right as a co-owner thereof was effectively transferred, making the buyer, Rafael, a co-owner of the subject property. It must be stressed that the binding force of a contract must be recognized as far as it is legally possible to do so *(quando res non valet ut ago, valeat quantum valere potest).* (Emphases and underscoring supplied; emphases and citations omitted)

Applying these principles to the present case, under the regime of conjugal partnership of gains, Lorenzo and Carmen co-owned the eight (8) conjugal properties in Pasay City. Upon Carmen's death, Lorenzo automatically acquired a one-half (1/2) undivided share in all such conjugal properties, which remains indeterminate pending actual partition. Simultaneously, an implied ordinary co-ownership arises over the remaining one-half (1/2) share of the deceased Carmen among the heirs—Lorenzo, Wilson, and Jane—who acquired their respective interests by way of intestate succession.

Put succinctly, *(1)* only the one-half (½) undivided share of the decedent Carmen is subject to division among the surviving heirs, Lorenzo, Wilson, and Jane, and *(2)* only the one-half (½) undivided share of Lorenzo may be alienated, which, in this case, was conveyed to his grandchildren, Caitlyn and Colleen, by way of donation.

Were We to adopt the respondents' approach of computing transfer taxes based on the full value of the properties formerly co-owned by the spouses, it would lead to an untenable and illogical result, as it would imply that Lorenzo or the late Carmen could alienate the entirety of each property—clearly exceeding their respecting *pro-indiviso* shares. Furthermore, the existence of a single Tax Declaration for each conjugal property, registered under the name of either spouse, cannot justify using the entire amount therein as the tax base for purposes of assessing transfer taxes. Such a position runs counter to reason, as well as the fundamental principles and legal provisions governing co-ownership and the conjugal partnership of gains. This Court's position finds support in the ruling of the Supreme Court in *Philippine National Bank v. Garcia (PNB)*:[139]

> ***The Subject Property is Conjugal***
>
> ***a. All property acquired during marriage is presumed conjugal***
>
> Since Jose Sr. and Ligaya were married prior to the effectivity of the Family Code, their property relations were governed by the conjugal partnership of gains as provided under Article 119 of the Civil Code. Under Article 160 of the Civil Code, "all property of the marriage is presumed to belong to the conjugal partnership, unless it can be proven that it pertains exclusively to the husband or to the wife."
>
> In his testimony, Jose Sr. admitted that at the time he acquired the land through sale, he was already married. The material portion of his testimony is as follows:
>
> **Q: Upon the death of your wife did you and your wife ever own a piece of land?**
>
> **A: Yes, sir.**
>
> **Q:** Where is that land situated?
>
> **A:** In Centro, District 2, Mallig[,] Isabela.
>
> **Q:** Is that land titled in your names?
>
> **A:** Yes, sir.

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[139] G.R. No. 182839, June 02, 2014 [Per J. Brion, Second Division].

xxx xxx xxx

Q: You and your wife acquired that piece of land?

A: Yes, sir.

xxx xxx xxx

Q: May we know from you[,] Mr. Witness, how did you acquire this parcel of land presently embraced and covered by TCT No. T-44422?

A: I purchased that piece of land from the Baniqued Family during my incumbency as Municipal Mayor, sir.

Q: What was your civil status at the time you purchased that piece of land?

A: I was already married, sir. (Emphasis ours, TSN, July 24, 1997, Jose Garcia Sr.)

Because of the petitioner bank's failure to rebut the allegation that the subject property was acquired during the former's marriage to Ligaya, the legal presumption of the conjugal nature of the property, in line with Article 160 of the Civil Code, applies to this property. Proof of the subject property's acquisition during the subsistence of marriage suffices to render the statutory presumption operative.

b. Registration of the subject property in the name of one spouse does not destroy the presumption that the property is conjugal

The petitioner bank claims that the CA failed to consider that the subject property was registered in the name of Jose Sr. alone. Likewise, it raises the argument that Jose Sr.'s change of status in the subject property's title from "married" to "widower" prior to the constitution of the real estate mortgage showed that the property was no longer conjugal.

We do not consider this argument persuasive.

Registration of a property alone in the name of one spouse does not destroy its conjugal nature. **What is material is the time when the property was acquired**. The registration of the property is not conclusive evidence of the exclusive ownership of the husband or the wife. Although the property appears to be registered in the name of the husband, it has the inherent character of conjugal property if it was acquired for valuable consideration during marriage. It retains its conjugal nature.

In order to rebut the presumptive conjugal nature of the property, the petitioner must present strong, clear and convincing evidence of exclusive ownership of one of the spouses. The burden of proving that the property belongs exclusively to the wife or to the husband rests upon the party asserting it.

In the present case, aside from its allegation that the subject property is no longer conjugal and its assertion that it is a mortgagee in good faith, the petitioner bank offered no evidence, convincing to this Court, that the subject property exclusively belonged to Jose Sr. As stated earlier, the petitioner bank failed to overcome the legal presumption that the disputed property was conjugal. Thus, the conclusion of both lower courts that the subject property was conjugal property holds. Factual findings of the CA affirming those of the trial court are binding on this Court unless there is a clear showing that such findings are tainted with arbitrariness, capriciousness or palpable error.

The conjugal partnership was converted into an implied ordinary co-ownership upon the death of Ligaya

Upon the death of Ligaya on January 21, 1987, the conjugal partnership was automatically dissolved and terminated pursuant to Article 175 (1) of the Civil Code, and the successional rights of her heirs vest, as provided under Article 777 of the Civil Code, which states that "[t]he rights to the succession are transmitted from the moment of the death of the decedent."

Consequently, the conjugal partnership was converted into an implied ordinary co-ownership between the surviving spouse, on the one hand, and the heirs of the deceased, on the other. This resulting ordinary co-ownership among the heirs is governed by Article 493 of the Civil Code which reads:

> Art. 493. Each co-owner shall have the full ownership of his part and of the fruits and benefits pertaining thereto, and he may therefore alienate, assign or mortgage it, and even substitute another person in its enjoyment, except when personal rights are involved. **But the effect of the alienation of the mortgage, with respect to the co-owners shall be limited to the portion which may be allotted to him in the division upon the termination of the co-ownership.**" (Emphasis supplied)

Under this provision, each co-owner has the full ownership of his part or share in the co-ownership and may, therefore, alienate, assign or mortgage it except when personal rights are involved. Should a co-owner alienate or mortgage the co-owned property itself, the alienation or mortgage shall remain valid but only to the extent of the portion which may be allotted to him in the division upon the termination of the co-ownership. In Carvajal v. Court of Appeals, the Court said:

> While under Article 493 of the New Civil Code, each co-owner shall have the full ownership of his part and of the fruits and benefits pertaining thereto and he may alienate, assign or mortgage it, and even

> substitute another person in its enjoyment, **the effect of the alienation or the mortgage with respect to the co-owners, shall be limited, by mandate of the same article, to the portion which may be allotted to him in the division upon the termination of the co-ownership. He has no right to sell or alienate a concrete, specific, or determinate part of the thing in common to the exclusion of the other co-owners because his right over the thing is represented by an abstract or Ideal portion without any physical adjudication**. [3] An individual co-owner cannot adjudicate to himself or claim title to any definite portion of the land or thing owned in common until its actual partition by agreement or judicial decree. Prior to that time all that the co-owner has is an Ideal or abstract quota or proportionate share in the entire thing owned in common by all the co-owners. [4] What a co-owner may dispose of is only his *undivided aliquot share*, which shall be limited to the portion that may be allotted to him upon partition. [emphasis supplied].

In the present case, Jose Sr. constituted the mortgage over the **entire** subject property after the death of Ligaya, but before the liquidation of the conjugal partnership. While under Article 493 of the Civil Code, even if he had the right to freely mortgage or even sell his undivided interest in the disputed property, he could not dispose of or mortgage the entire property without his children's consent. As correctly emphasized by the trial court, Jose Sr.'s right in the subject property is **limited only to his share in the conjugal partnership as well as his share as an heir on the other half of the estate which is his deceased spouse's share**. Accordingly, the mortgage contract is void insofar as it extends to the undivided shares of his children (Nora, Jose Jr., Bobby and Jimmy) because they did not give their consent to the transaction.

Accordingly, the Amendment of Real Estate Mortgage constituted by Jose Sr. over the entire property without his co-owners' consent is not necessarily void in its entirety. The right of the petitioner bank as mortgagee is limited though only to the portion which may be allotted to Jose Sr. in the event of a division and liquidation of the subject property. (Citations omitted)

At this juncture, it must be emphasized that the respondents' reliance on the full amounts of the properties reflected in the Tax Declarations as the bases for computing transfer taxes is predicated solely on the existence of a single Tax Declaration for each property. Implicit in their position is the notion that petitioners should produce two (2) separate Tax Declarations per property, reflecting only the *pro-indiviso* one-half (1/2) shares of Lorenzo and Carmen. Such a requirement is not only unnecessary but also impracticable under the

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circumstances, whether *(i)* during the subsistence of the conjugal partnership of gains or *(ii)* upon its termination.

i. During the conjugal partnership of gains

It bears reiteration that the conjugal character of the eight (8) real properties at issue is undisputed. Moreover, while some of the Tax Declarations were registered under the name of either Lorenzo or Carmen, such registration alone does not affect the conjugal nature of the properties, as held by the Supreme Court in *PNB*. What is determinative is the time of acquisition, which establishes whether the property falls within the conjugal partnership. Accordingly, by operation of law, each spouse held a one-half (1/2) undivided share in each of the conjugal properties, obviating the need for separate Tax Declarations to evidence their respective shares.

ii. Upon termination of the conjugal partnership of gains

The respondents failed to take into consideration the statutory procedure for securing a tax declaration, which, under the LGC, requires the payment of the corresponding tax prior to the cancellation of the old Tax Declaration. Section 135(b) of the LGC provides:

> **Section 135.** *Tax on Transfer of Real Property Ownership.*
>
> x x x
>
> (b) For this purpose, the Register of Deeds of the province concerned shall, before registering any deed, require the presentation of the evidence of payment of this tax. The provincial assessor shall likewise make the same requirement before cancelling an old tax declaration and issuing a new one in place thereof, Notaries public shall furnish the provincial treasurer with a copy of any deed transferring ownership or title to any real property within thirty (30) days from the date of notarization.

The Pasay City Revenue Code[140] contains a substantially identical provision, likewise reinforcing this requirement, as follows:

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[140] *Supra* note 129.

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> SECTION 18. *Duties of Other Officers and/or Persons.* — For this purpose, the Register of Deeds of the city shall, before registering any deed, require the presentation of the evidence of payment of this tax. The City Assessor shall likewise make the same requirement before cancelling an old tax declaration and issuing a new one in place thereof.

Petitioners' witness, Wilson, likewise attested to this fact during his re-direct examination:

> Atty. Ebersole to the witness:
>
> Q Mr. Witness, you mentioned during cross-examination that there were no other separate tax declaration pertaining to the properties except for the one tax declaration you mentioned earlier. What is the reason there are no other tax declaration for each of the properties, if you know?
>
> A Because, sir, we have not yet paid for the transfer tax yet so we have to pay for the transfer tax then we have to change the title before we could change the document, sir.[141]

It is therefore manifestly unreasonable to require the petitioners to present two (2) Tax Declarations in order to properly assess the transfer taxes due on a transfer involving only the one-half (1/2) undivided share of the late Carmen or Lorenzo, particularly where payment of such taxes is a prerequisite to securing a Tax Declaration. To impose such a requirement would result in an absurd and inequitable scenario, compelling the petitioners, or any taxpayer, to pay transfer taxes on the entirety of the property, notwithstanding that only one-half (1/2) of the property, or a portion thereof, is actually being transferred, as is precisely the situation in the instant case.

Having established that only the one-half (½) shares of Lorenzo and Carmen are subject to transfer, the computation of transfer taxes for: *(1)* the intestate succession of Carmen's one-half (1/2) share to Lorenzo, Wilson, and Jane; and *(2)* the donation of Lorenzo's one-half (1/2) share to his grandchildren, Caitlyn and Colleen, shall be based solely on the **fair market value corresponding to each one-half (1/2) undivided share, as reflected in the Tax Declarations**. The detailed computations are set forth in the accompanying tables.

[141] Transcript of Stenographic Notes dated July 03, 2023, p. 17; Docket, p. 450.

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<u>By way of intestate succession</u>: the transfer of the one-half (½) share of Carmen in the conjugal properties to her surviving heirs: (i) Lorenzo; (ii) Wilson; and (iii) Jane

No.	TCT No.	Tax Declaration No.	Fair Market Value indicated in the Tax Declaration	Fair Market Value involved in the transfer (1/2 share in the conjugal property)	[A] Transfer Tax (75% of 1%)	[B] Surcharge (25% of Transfer Tax)	[C] Interest (2% per month)[142]	[D] Secretary's and Transfer Fees	Total ([A] + [B] + [C] + [D])
1	40532	C3-044-00432	₱2,100,000.00	₱1,050,000.00	₱7,875.00	₱1,968.75	₱984.38	₱620.00	₱11,448.13
2	40533	C3-044-00431 and C3-044-00435	7,966,950.00	3,983,475.00	29,876.06	7,469.02	3,734.51	1,120.00	42,199.59
3	54732	C3-044-00065	3,150,000.00	1,575,000.00	11,812.50	2,953.13	1,476.56	620.00	16,862.19
4	54735	C3-044-00066	5,208,000.00	2,604,000.00	19,530.00	4,882.50	2,441.25	620.00	27,473.75
5	54734	C3-044-00062	6,870,000.00	3,435,000.00	25,762.50	6,440.63	3,220.31	620.00	36,043.44
6	54773	C3-044-00068 and C3-044-00067	3,507,860.00	1,753,930.00	13,154.48	3,288.62	1,644.31	1,120.00	19,207.40
7	133336	C1-085-00170	118,770,000.00	59,385,000.00	445,387.50	111,346.88	55,673.44	620.00	613,027.81
8	133337	C1-085-00173	990,000.00	495,000.00	3,712.50	928.13	464.06	620.00	5,724.69
	Total				₱557,110.54	₱139,277.63	₱69,638.82	₱5,960.00	**₱771,986.99**

<u>By way of donation</u>: the transfer of the one-half (½) share of Lorenzo in the conjugal properties to his grandchildren: (i) Caitlyn; and (ii) Colleen

No.	TCT No.	Tax Declaration No.	Fair Market Value indicated in the Tax Declaration	Fair Market Value involved in the transfer (1/2 share in the conjugal property)	[A] Transfer Tax (75% of 1%)	[B] Surcharge (25% of Transfer Tax)	[C] Interest (2% per month)[143]	[D] Secretary's and Transfer Fees	Total ([A] + [B] + [C] + [D])
1	40532	C3-044-00432	₱2,100,000.00	₱1,050,000.00	₱7,875.00	₱1,968.75	₱590.63	₱620.00	₱11,054.38
2	40533	C3-044-	7,966,950.00	3,983,475.00	29,876.06	7,469.02	2,240.70	1,120.00	40,705.78

[142] Petitioners do not dispute the interest rate applied by the respondents, which amounts to a total of six point twenty-five percent (6.25%).

[143] Petitioners do not dispute the interest rate applied by the respondents, which amounts to a total of three point seventy-five percent (3.75%).

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		00431 and C3-044-00435							
3	54732	C3-044-00065	3,150,000.00	1,575,000.00	11,812.50	2,953.13	885.94	620.00	16,271.56
4	54735	C3-044-00066	5,208,000.00	2,604,000.00	19,530.00	4,882.50	1,464.75	620.00	26,497.25
5	54734	C3-044-00062	6,870,000.00	3,435,000.00	25,762.50	6,440.63	1,932.19	620.00	34,755.31
6	54773	C3-044-00068 and C3-044-00067	3,507,860.00	1,753,930.00	13,154.48	3,288.62	986.59	1,120.00	18,549.68
7	133336	C1-085-00170	118,770,000.00	59,385,000.00	445,387.50	111,346.88	33,404.06	620.00	590,758.44
8	133337	C1-085-00173	990,000.00	495,000.00	3,712.50	928.13	278.44	620.00	5,539.06
	Total				₱557,110.54	₱139,277.63	₱41,783.29	₱5,960.00	**₱744,131.46**

The specific renunciation of inheritance by Lorenzo and Jane in favor of Wilson constitutes a taxable transfer.

Petitioners maintain that, in the *Extrajudicial Settlement*,[144] Lorenzo and Jane expressly renounced, repudiated, and waived, in general terms, all their rights over the estate of Carmen, such that their respective shares were adjudicated by operation of law, through the mechanism of accretion under Article 1018 of the New Civil Code,[145] in favor of the remaining co-heir, Wilson.[146] Petitioners further invoke Article 1015 of the New Civil Code, which defines accretion as follows:

> Art. 1015. Accretion is a right by virtue of which, when two or more persons are called to the same inheritance, devise or legacy, the part assigned to the one who renounces or cannot receive his share, or who died before the testator, is added or incorporated to that of his co-heirs, co-devisees, or co-legatees. (n)

This provision, however, must be read in conjunction with Article 1050 of the New Civil Code, which provides:

> Article 1050. An inheritance is deemed accepted:

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144 RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibit "M," pp. 112 to 117.

145 New Civil Code, Article 1018 provides:

In legal succession the share of the person who repudiates the inheritance shall always accrue to his co-heirs. (981)

146 Docket, *Petition for Review*, p. 36, par. 100.

> (1) If the heirs sells, donates, or assigns his right to a stranger, or to his co-heirs, or to any of them;
>
> (2) If the heir renounces the same, even though gratuitously, for the benefit of one or more of his co-heirs;
>
> (3) If he renounces it for a price in favor of all his co-heirs indiscriminately; but if this renunciation should be gratuitous, and the co-heirs in whose favor it is made are those upon whom the portion renounced should devolve by virtue of accretion, the inheritance shall not be deemed as accepted. (1000)

From the foregoing, it is clear that accretion may arise only where the renunciation is gratuitous and not executed for the benefit of a specific co-heir or co-heirs.

In the present case, petitioners invoke accretion on the ground that Lorenzo and Jane repudiated their inheritance over *(1)* the exclusive properties of Carmen and *(2)* her one-half (½) interest in the conjugal properties. A scrutiny of the *Extrajudicial Settlement* is therefore imperative to ascertain whether the repudiation by Lorenzo and Jane of their respective shares in the estate of the late Carmen gives rise to accretion as contemplated under the New Civil Code. In this regard, the *Extrajudicial Settlement*, partaking the nature of a contract,[147] should not be read in isolation, but in relation to each other and in their entirety.[148] The pertinent excerpts read as follows:

x x x

> **WHEREAS, LORENZO ENG CHONG J. ONG** and **JANE CHRISTINE SOCO** do not desire to accept their inheritance in the said Estate of Carmen, that they have no outstanding debts and obligations, and their repudiation in the said Estate of Carmen will not prejudice the interest of third persons;
>
> **WHEREAS, LORENZO ENG CHONG J. ONG** and **JANE CHRISTINE SOCO** desire to repudiate, renounce, and waive, absolutely and forever, all their shares, rights, and interests as such heirs in the aforementioned Estate of Carmen and all other properties that may be later on discovered belonging to the Estate of Carmen.
>
> **REPUDIATION,**
> **<u>RENUNCIATION, AND WAIVER OF RIGHTS</u>**
>
> **NOW, THEREFORE, LORENZO ENG CHONG J. ONG** and **JANE CHRISTINE SOCO**, hereby repudiate, renounce, and waive, absolutely, and forever, all their shares, rights and interests as such heirs in the aforementioned Estate of Carmen and all other

[147] *See Baladad v. Rublico*, G.R. No. 160743, August 04, 2009 [Per J. Nachura, Third Division].
[148] *See Manila International Airport Authority v. Avia Filipinas International, Inc.*, G.R. No. 180168, February 27, 2012 [Per J. Peralta, Third Division].

> properties that may be later on discovered belonging to the Estate of Carmen.
>
> For and in consideration of all of the foregoing premises, the said entire Estate of Carmen shall be adjudicated by right of accretion pursuant to *Article 1018 of the New Civil Code* to the remaining co-heir, **WILSON SOCO ONG**, being of legal age and with full civil capacity to contract pursuant to *Sections 1 and 4, Rule 74 of the Rules of Court*, and subject to *Section 4 of Rule 74 the Rules of Court*; thereby adjudicating the entire ownership of the Estate of Carmen upon himself. The entire ownership of all other real or personal property of the decedent that may later on be discovered which are not included herein are also adjudicated to **WILSON SOCO ONG**.
>
> x x x[149]

Although the first three (3) paragraphs of the *Extrajudicial Settlement* suggest a general renunciation by Lorenzo and Jane, these statements are effectively contradicted by subsequent provisions, which manifestly direct the repudiated shares in favor of Wilson. Stated differently, the inheritance of Lorenzo and Jane must be deemed accepted, notwithstanding the appearance of repudiation, for the tenor of the *Extrajudicial Settlement*, taken as a whole, clearly operates to vest the subject properties in Wilson. Such acts constitute unequivocal dispositions—acts that only an owner, vested with dominion over the property, is legally empowered to perform.

Consequently, by repudiating their inheritance specifically in favor of Wilson, Lorenzo and Jane effectively caused a gratuitous transfer or donation of their respective shares. Such a disposition, being a transfer of property rights, gives rise to a corresponding transfer tax. The respondents erred, however, in computing the tax on the basis of the full value of the properties as reflected in their Tax Declarations. The correct tax base must be proportionate to: *(1)* two-thirds (2/3) of Carmen's exclusive properties; and *(2)* two-thirds (2/3) of her one-half (1/2) interest in the conjugal properties. These two-thirds (2/3) shares represent the *pro-indiviso* portions that Lorenzo and Jane would have held and ultimately transferred to Wilson. The remaining one-third (1/3) of the estate had already accrued to Wilson by intestate succession.

Thus, the proper computation of the transfer taxes arising from the repudiation of shares is as follows:

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[149] RTC Docket – Vol. I (Civil Case No. R-PSY-22-03073-CV), Exhibit "M," p. 116.

No.	TCT No.	Tax Declaration No.	Fair Market Value indicated in the Tax Declaration	Fair Market Value involved in the transfer (**I.** 2/3 shares in the exclusive property;[150] and **II.** 2/3 of 1/2 share in the conjugal property[151])	**[A]** Transfer Tax (75% of 1%)	**[B]** Surcharge (25% of Transfer Tax)	**[C]** Interest (2% per month)[152]	**[D]** Secretary's and Transfer Fees	Total ([A] + [B] + [C] + [D])
I.	**EXCLUSIVE PROPERTIES**								
1	17999	C3-044-00060 and C3-044-00061	₱20,470,050.00	₱13,646,700.00	₱102,350.25	₱25,587.56	₱12,793.78	₱1,120.00	₱141,851.59
2	18000	C3-044-00058, C3-044-00430, and C3-044-00059	5,355,280.00	3,570,186.67	26,776.40	6,694.10	3,347.05	1,620.00	38,437.55
II.	**CONJUGAL PROPERTIES**								
1	40532	C3-044-00432	2,100,000.00	700,000.00	5,250.00	1,312.50	656.25	620.00	7,838.75
2	40533	C3-044-00431 and C3-044-00435	7,966,950.00	2,655,650.00	19,917.38	4,979.34	2,489.67	1,120.00	28,506.39
3	54732	C3-044-00065	3,150,000.00	1,050,000.00	7,875.00	1,968.75	984.38	620.00	11,448.13
4	54735	C3-044-00066	5,208,000.00	1,736,000.00	13,020.00	3,255.00	1,627.50	620.00	18,522.50
5	54734	C3-044-00062	6,870,000.00	2,290,000.00	17,175.00	4,293.75	2,146.88	620.00	24,235.63
6	54773	C3-044-00068 and C3-044-00067	3,507,860.00	1,169,286.67	8,769.65	2,192.41	1,096.21	1,120.00	13,178.27
7	133336	C1-085-00170	118,770,000.00	39,590,000.00	296,925.00	74,231.25	37,115.63	620.00	409,891.88
8	133337	C1-085-00173	990,000.00	330,000.00	2,475.00	618.75	309.38	620.00	4,023.13
	Total				₱500,533.68	₱125,133.42	₱62,566.71	₱1,200.00	**₱696,933.80**

Petitioners are entitled to a refund in the amount of ₱2,614,342.36.

For ease of reference, the table below presents a side-by-side comparison of the total transfer taxes contested by the petitioners, as

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150 The sum of the respective one-third (1/3) share of Lorenzo and Jane Ong in the exclusive properties of the late Carmen Ong.

151 The sum of the respective one-third (1/3) share of Lorenzo and Jane Ong in the one-half (½) share of the late Carmen Ong in the conjugal properties.

152 Petitioners do not dispute the interest rate applied by the respondents, which amounts to a total of six point twenty-five percent (6.25%).

assessed by the respondents for each mode of transfer of the subject properties, alongside the amounts as verified by the Court.

Mode of Transfer of the Subject Properties	**[A]** Per Respondents' Total Amount of Assessments	**[B]** Per Court's Verification	Difference/ Amount Refundable **([A] – [B])**
By way of **intestate succession**: the transfer of the one-half (1/2) share of Carmen in the conjugal properties to her surviving heirs: *(i)* Lorenzo; *(ii)* Wilson; and *(iii)* Jane	₱1,538,013.99	₱771,986.99	₱766,027.00
By way of **donation**: the transfer of the one-half (1/2) share of Lorenzo in the conjugal properties to his grandchildren: *(i)* Caitlyn; and *(ii)* Colleen	1,482,302.92	744,131.46	738,171.46
By way of **repudiation (donation)**: the transfer of the two-thirds (2/3) shares of Lorenzo and Jane in the estate of Carmen to Wilson	1,807,077.71	696,933.80	1,110,143.91
Total	₱4,827,394.62	₱2,213,052.25	**₱2,614,342.36**

From the foregoing computation, it is evident that the petitioners are entitled to a refund only to the extent of ₱2,614,342.36, representing the erroneous payment of excess transfer taxes.

Petitioners are not entitled to the payment of interests, damages, or attorney's fees.

First, anent petitioners' claim for legal interest on the amount sought to be refunded, this Court finds it instructive to invoke the ruling in *Atlas Fertilizer Corporation vs. Commissioner of Internal Revenue*,[153] which establishes the principle that interest may be awarded only under limited circumstances, to wit:

> But the more important consideration is the well settled rule that in the absence of a statutory provision clearly or expressly directing or authorizing payment of interest on the amount to be refunded to taxpayer, the Government cannot be required to pay interest. Likewise, it is the rule that interest may be awarded only when the

[153] *Atlas Fertilizer Corp. v. Commissioner of Internal Revenue*, G.R. Nos. L-26686 & L-26698, October 30, 1980 [Per J. De Castro, First Division].

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> collection of tax sought to be refunded was attended with arbitrariness. (Citations omitted)

In this case, petitioners have failed to demonstrate the existence of any statutory provision expressly directing or authorizing the payment of interest on the amount sought to be refunded. Nor have they sufficiently established that the collection of the tax subject of the refund was attended with arbitrariness. If any, the respondents, in the exercise of their official functions, merely assessed the petitioners in accordance with their good-faith interpretation of the applicable law and ordinance. In the absence of evidence showing that either of these conditions is present, this Court cannot lawfully grant the payment of interest on the taxes claimed to be refundable.

Second, there exists no adequate basis for the grant of exemplary damages. As provided under Article 2229 of the New Civil Code,[154] exemplary damages may be imposed "by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages." Such damages, however, are not recoverable as a matter of right,[155] and are warranted only when the party at fault has acted in a wanton, fraudulent, reckless, oppressive or malevolent manner.[156]

Here, while the respondents erred in computing the correct amount of transfer taxes, there is no evidence that such errors were committed in bad faith, nor were their actuations made in a wanton, fraudulent, reckless, oppressive, or malevolent manner. As the Supreme Court held in *Cabungcal, et al. v. Mayor Cordova and Gustilo,*[157] "(a)n erroneous interpretation of the meaning of the provisions of an ordinance (by the City Mayor) does not constitute nor does it amount to bad faith that would entitle an aggrieved party to an award of damages." Therefore, petitioners cannot claim exemplary damages.

Finally, petitioners are likewise not entitled to attorney's fees or other expenses of litigation. They contend that such fees should be awarded on the ground that they were compelled to protect their

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[154] New Civil Code, Article 2229 provides:

> Exemplary or corrective damages are imposed, by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages.

[155] New Civil Code, Article 2233 provides:

> Exemplary damages cannot be recovered as a matter of right; the court will decide whether or not they should be adjudicated.

[156] New Civil Code, Article 2232 provides:

> In contracts and quasi-contracts, the court may award exemplary damages if the defendant acted in a wanton, fraudulent, reckless, oppressive, or malevolent manner.

[157] G.R. No. L-16934, July 31, 1964 [Per J. Padilla, *En Banc*].

rights and interests against the respondents' alleged unjust and inexcusable refusal to act on their *Protest and Claim for Refund*, invoking Article 2208 of the New Civil Code, which provides that "[w]hen the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest." However, as the Supreme Court explained in *Malayan Insurance Company, Inc. vs. St. Francis Square Realty Corporation*:[158]

> The general rule is that attorney's fees cannot be recovered as part of damages because of the policy that no premium should be placed on the right to litigate. They are not to be awarded every time a party wins a suit. The power of the court to award attorney's fees under Article 2208 demands factual, legal, and equitable justification. Even when a claimant is compelled to litigate with third persons or to incur expenses to protect his rights, still attorney's fees may not be awarded where no sufficient showing of bad faith could be reflected in a party's persistence in a case other than an erroneous conviction of the righteousness of his cause.

In a similar vein, petitioners herein have not sufficiently demonstrated that the respondents acted in bad faith. Without such a showing, there is no legal or equitable basis to award attorney's fees. Hence, the petitioners' claim for attorney's fees must likewise be denied.

WHEREFORE, in light of the foregoing considerations, the instant *Petition for Review* is hereby **PARTIALLY GRANTED**. Accordingly, the assailed *Decision* dated October 11, 2023, rendered by the RTC-Branch 114 of Pasay City in Civil Case No. R-PSY-22-03073-CV, is hereby **REVERSED** and **SET ASIDE**. Respondents are **ORDERED TO REFUND** to petitioners the amount of **₱2,614,342.36**.

SO ORDERED.

HENRY S. ANGELES
Associate Justice

[158] *Malayan Insurance Co., Inc. v. St. Francis Square Realty Corp.*, G.R. Nos. 198916-17 & 198920-21, January 11, 2016 [Per J. Peralta, Third Division].

WE CONCUR:

Marian Ivy F. Reyes-Fajardo
MARIAN IVY F. REYES-FAJARDO
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

Marian Ivy F. Reyes-Fajardo
MARIAN IVY F. REYES-FAJARDO
Associate Justice
Acting Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Division Chairperson's Attestation, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice