REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
MANILA

C. N. HODGES,
Petitioner,

- versus -

C.T.A. CASES
NOS. 361 & 362

Nov. 21, 1958

BOARD OF ASSESSMENT
APPEALS OF ILOILO CITY,
Respondent.

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D E C I S I O N

The petitioner is the owner of a parcel of land with an area of 1,918 square meters, known as Lot No. 266, Block No. 37, covered by Tax Declaration No. 28434, and a two-story building covered by Tax Declaration No. 29232, both in the City of Iloilo.

Lot No. 266 has been assessed for tax purposes at ₱131,790.00 by the City Assessor of Iloilo. Not satisfied with this assessment, petitioner appealed to the City Board of Assessment Appeals which affirmed the assessment in a decision rendered on January 22, 1957. Petitioner has appealed from said decision of the Iloilo City Board of Assessment Appeals, which appeal is docketed as C.T.A. Case No. 361.

The two-story building covered by Tax Declaration No. 29232 was assessed by the City Assessor of Iloilo at ₱63,830.00, but on appeal to the City Board of Assessment Appeals, the latter reduced the assessment to ₱57,445.20 in a decision rendered on January 28, 1957. Still not satisfied with the decision of the Iloilo City Board of Assessment Appeals, petitioner has appealed to this Court in C.T.A. Case No. 362.

C.T.A. Cases Nos. 361 and 362 were heard jointly in the City of Iloilo. The sole question presented for our consideration is whether or not the assessments in question represent the fair market values of said properties.

C.T.A. No. 361

Lot No. 266 is located in a commercial block in Iloilo City. Its assessment at ₱131,790.00, or at an average of ₱68.76 per square meter, is sought to be justified on the following grounds:

> ". . . that the property under the present appeal is a commercial land known as Lot No. 266; that it is situated at Muelle Loney in front of which inter-island vessels, fishing motor boats and sailboats plying between Panay, Guimaras and Negros, are docked; that it is adjoining the lots occupied by the Marsman Trading Company on one corner and Panay Shipping on the other; that on the streets bordering the block where the property in question is located are the Pan-Philippine Trading Corporation, Yu Yek Huy and Company at Arsenal and the Visayan Shipping and Philippine Products Company at Aldeguer; that the proximity of the property in question to the aforementioned shipping lines and commercial business houses enhances its desirability for commercial purposes and for such reason it could command a very substantial price; that the assessed value fixed by his (City Assessor) Office in the amount of ₱131,790.00 or at an average of ₱68.76 per square meter is fair and reasonable; and lastly, that the adjoining lots thereof as Lots Nos. 267, 265 and 268-A and B are also assessed at the average of ₱68.62, ₱75.00 and

₱57.54, respectively." (Resolution No. 5, Iloilo City Board of Assessment Appeals, Jan. 22, 1957.)

On the other hand, petitioner claims that the fair market value of Lot No. 266 as appraised by the City Assessor of Iloilo is excessive. It is alleged that said property was purchased only for ₱80,400.00; that it has been offered for sale at ₱80,000.00 since 1954, but no one has offered to buy the same; that while said lot is assessed at ₱68.76 per square meter, Lot No. 263 located in the same block (Block No. 37) is assessed at ₱49.76 per square meter; and that two other lots (Lots Nos. 386 and 1198) located in Block No. 27, about five blocks away from Block No. 37 but on the same Muelle Loney, are assessed at ₱40.00 per square meter.

The argument that Lot No. 266 was purchased for ₱80,400.00 and should, therefore, be assessed at not more than that amount is not worthy of consideration. It appears that petitioner purchased said lot at a public auction sale. The purchase price paid by petitioner for said lot cannot, therefore, be considered the fair market value thereof. The price for which property is sold at public auction does not generally represent its fair market value.

The other argument that the property has been offered for sale for ₱80,000.00 also deserves scant consideration. The only evidence presented is the testimony of Mrs. Ruth Diocares, chief clerk in the office of petitioner. It has not been shown that an actual offer to sell has been made to any specific person or that the property has been advertised for sale. In order that the price for which property is offered for sale may be accepted as its fair market value, it must be shown that reasonable efforts were exerted by the owner to find a purchaser who will give the highest price therefor.

> "The 'market value' of property is the price the property will bring in a fair market after fair and reasonable efforts have been made to find a purchaser who will give the highest price for it." (Macondray & Co. v. Sellners, 33 Phil. 370.)

We find, from the evidence of record, that no reasonable efforts have been made by petitioner to find a willing buyer for his property for the highest price.

The allegation that Lot No. 266 of petitioner has been assessed at a higher amount than properties similarly situated must be carefully scrutinized. The law requires that real property shall be assessed at its true and full value, or cash value, or fair market value. This requirement must be observed. But in determining or fixing the fair market value of property for tax purposes it is essential that the rule of uniformity be observed. More important than the obligation to seek the fair market value of property is the obligation of the assessor to see to it that the "rule of taxation shall be uniform," for this is a rule which is guaranteed by the Constitution. A taxpayer should not be made to pay more taxes on his property while owners of surrounding property, under the same circumstances, pay less. Let us, therefore, inquire whether or not the fair market value of petitioner's property has been properly ascertained and the uniformity rule observed.

It is claimed that petitioner's Lot No. 266 with an area of 1,918 square meters has been assessed at ₱131,790.00, or at an average price of ₱68.76; while Lot No. 263 located in the same block (Block No. 37) with an area of 3,970 square meters is assessed at ₱197,550.00, or at an average price of ₱49.76 per square meter. Block No. 37 is located in the commercial district of Iloilo City. By using Lot No. 263 as a basis for comparison with Lot No. 266, petitioner concedes that Lot No. 263 has been properly assessed and that ₱197,550.00 is the fair market value of said lot. Has the valuation of Lot No. 266 been made on the same basis as Lot No. 263?

(In cases of urban property, assessors often find it advisable to divide the property into zones or sections, the outer portions being valued at more than the inner portions. This practice has been observed and applied in some cities in the

Philippines. In fact, the Department of Finance, has enjoined assessors in big municipalities and cities to apply this method of valuation of urban lands situated in commercial districts.

> "In big municipalities where real property values in commercial zones have developed to a point where a difference of a few meters in location may mean a big difference in the market value of such property, it is suggested that the provincial assessor consider the feasibility of applying special schedules for certain zones or districts whereby the valuation of the unit value for lots or parts of lots situated within certain specified areas or zones may be fixed more nearly in accord with their locations. This presupposes for instance, that a commercial lot on the busiest street of a municipality may be assessed at varying rates of unit value. For example, a lot 30 meters wide and 100 meters deep probably should not be assessed as to its back portion at the same unit value as its front portion, for it is perhaps only the first 20 or 30 meters of depth that has real commercial value. In such a case, the assessor may adopt a plan whereby lots in commercial districts of sufficient importance shall be divided into two or more sections according to depth. The unit value of the front section (which may be called section 1, additional sections being numbered 2, 3, etc.) should of course be higher than that of section 2, that of section 2 higher than that of section 3, etc. Similarly, the unit value of corner lots may be fixed at higher rates than those of lots on either side."[1] (Provincial Circular /Unnumbered/, Jan. 31, 1940.)

It appears that this method of valuation has been applied to both Lots Nos. 263 and 266 by the City Assessor of Iloilo as shown below:

Lot No. 263

Classification	Value per sq. meter	Area in strip of 20 meters	Value

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[1] See also pp. 43-44, Castillo, The Law on Local Taxation (1954), University Publishing Co., Inc.

1st	₱90.00	1,040	₱93,600.00
3rd	60.00	1,000	60,000.00
5th	30.00	1,000	30,000.00
7th	15.00	930	13,950.00

T o t a l .... ₱197.550.00

Lot No. 266

1st	90.00	825	74,250.00
3rd	60.00	825	49,500.00
5th	30.00	268	8,040.00

T o t a l .... ₱131,790.00

As shown above, it is clear that, as compared to Lot No. 263, the fair market value of Lot No. 266 has been properly appraised. The claim that Lot No. 266 has been discriminated against must be dismissed as untenable.

With respect to Lots Nos. 386 and 1198, located in Block No. 27, the valuation thereof can not be used as basis for determining the value of Lot No. 266, Block No. 37, for, as already stated above, the said two lots are situated five blocks away from the lot of petitioner.

Finally, it is contended that inasmuch as Lot No. 266 has no improvements thereon, the same should be assessed at a lower rate than the one used in the assessment of lots with improvements. In answer to this, we quote with approval from 51 Am. Jur. 652-653:

> ". . . Generally, the chief element of value of a parcel of land on one of the principal streets of a city is its capacity for profitable use as the location of a building for business purposes. The owner of such parcel may permit it to remain unimproved, he may use it in a manner which produces little return, but the as-

sessor of taxes would be justified in assessing it upon a valuation based upon its favorable location and its desirability for building purposes."

C.T.A. No. 362

The property involved in this case is a two-story building described as "made of laua-an wood with concrete basement as flooring of the first story for commercial and residential purposes." It was originally a "Shed of strong materials with wood flooring and Galv. Iron Roofing standing on the land of Gregorio Yulo" with a floor area of 60 square meters, assessed at ₱3,000.00, or at an average of ₱50.00 per square meter. In 1951, with the addition of a second story and other improvements, the building had a total floor area of 779 square meters (first floor, 161.5 sq. m., second floor, 617.5 sq. m.), and was assessed at ₱38,950.00, also at an average of ₱50.00 per square meter. In 1954, the building was further improved, each story having a floor area of 638.28 square meters, or a total floor area of 1,276.56 square meters, and was assessed by the City Assessor of Iloilo at ₱63,828.00. Upon appeal to the City Board of Assessment Appeals, said Board reduced the assessment to ₱57,445.20. Not satisfied with the decision of respondent, petitioner has appealed to this Court.

It is alleged that it is not proper to increase the assessed value of the building in question from ₱38,950 to ₱57,445.20; that the declaration made by Ben Villanueva, the registered owner, that the value of said building was ₱63,830.00 was made solely to enhance its loan value; and that the correct valuation of said property is ₱50.00 per square meter of floor area.

Petitioner does not question the correctness of the assessment of the building at ₱38,950.00 when it had merely a total floor area of 779 square meters, or at an average of ₱50.00 per square meter. But he is not agreeable to the increase in the assessment although the floor area of the building has been increased from 779 square meters to 1,276.56 square meters. The position taken by petitioner is difficult to understand. He claims that the fair market value of the building should be fixed on the basis of ₱50.00 per square meter of floor area. 1,276.56 square meters multiplied by ₱50.00 is ₱63,828.00, which is the value arrived at by the City Assessor of Iloilo. And yet respondent has decided to reduce the assessment to ₱57,445.20, or at an average of ₱45.00 per square meter. We do not believe that petitioner has any justifiable cause to complain against the reduced assessment.

We find no merit in the contention that the declaration made by Ben Villanueva that the value of the building was ₱63,828.00 after it was improved in 1954 should not be given weight because the declaration was made solely to enhance the loan value of the property. The declared value was approximately the fair market value of the property at the time. That it was the intention of Villanueva to enhance the loan value of the property because he intended to use the property as security for a loan is beside the point.

FOR THE FOREGOING CONSIDERATIONS, the decisions appealed from are hereby affirmed. With costs against petitioner in both cases.

SO ORDERED.

Manila, November 21, 1958.

R M Umali
ROMAN M. UMALI
Associate Judge

WE CONCUR:

MARIANO NABLE
Presiding Judge

Augusto M. Luciano
AUGUSTO M. LUCIANO
Associate Judge

Not appealed.