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office he solemnly declared that he 'will conduct' himself 'as a lawyer accordingly to the best of his knowledge and discretion.' Too late. Experience indeed is a good teacher. To a lawyer, though, it could prove very expensive."

The Court, therefore, finds that respondent Court of Appeals committed no grave error or abuse of discretion in dismissing the appeal which would justify the exercise of this Court's supervisory power. Suffice it to state, finally, that even as of this late hour, petitioner has not submitted any pertinent pleadings nor copy of ths questioned decision nor tendered an appellant's brief that would show a lawful and valid defense and compelling reasons that would justify the issuance of the corrective writ of *certiorari*.

ACCORDINGLY, the petition is dismissed. The writ of preliminary injunction heretofore issued is dissolved effective immediately upon promulgation hereof.

Makasiar, Fernandez, Guerrero, and *Melencio-Herrera, JJ.*, concur.

FIRST DIVISION

[G.R. No. L-29772. September 18, 1980]

CITY OF BAGUIO, *plaintiff-appellee, vs.* **FERNANDO S. BUSUEGO,** *defendant-appellant.*

SYLLABUS

1. TAXATION; REAL PROPERTY TAX; PURCHASER HELD LIABLE TO PAY REAL PROPERTY TAX ALTHOUGH NAKED OWNERSHIP OF THE PROPERTY STILL IN THE NAME OF THE SELLER. — What is determinative was its rulings on the merits (not on the nomenclature or classification

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of the contract), wherein it correctly held that purchaser-appellant agreed to the contractual stipulation "to pay and shoulder all taxes and assessments on the lot and building or improvements thereon and insurance during the term of the contract. In view of his acceptance of this condition, he is now estopped to deny his liability to pay the taxes. And, on the other hand, when the GSIS sold the property and imposed said condition, the agency altho exempt from the payment of taxes clearly indicated that the property became taxable upon its delivery to the purchaser" and that "the sole determinative factor for exemption from realty taxes is the 'use' to which the property is devoted, And where 'use' is the test, the ownership is immaterial. In the instant case, altho the property was still in the name of the GSIS pending the payment of the full price its use and possession was already transferred to the defendant." Such contractual stipulation that the purchaser on installments pay the real estate taxes pending completion of payments, although the seller who retained title is exempt from such taxes, is valid and binding, absent any law to the contrary and none has been cited by appellant.

2. ID.; ID.; **PRESIDENTIAL DECREEE NO. 464 (OTHERWISE KNOWN AS THE REAL PROPERTY TAX CODE) EXEMPTS GSIS FROM REAL ESTATE TAX BUT SUCH EXEMPTION DOES NOT EXTEND TO PERSON TO WHOM THE PROPERTY WAS SOLD.** — Thus, the delivery of possession by the seller GSIS to the purchaser was clearly with the intention of passing to the latter the possession, use of and control over said property, and all the other attributes of ownership, short of the naked ownership, such that it included in said transfer the incidental obligation to pay the taxes thereon, for nothing more was left to the GSIS except its right to receive full payment of the purchase price. The fact that in the contract to sell, the GSIS although aware of its own exemption from taxation stipulated and exacted from the purchaser the payment of taxes amounts to an interpretation on its part that such an immunity was to be transmitted to a private person who becomes the beneficial owner and user of the property. While the GSIS may be exempt from real estate tax the exemption does not cover property belonging to it "where the beneficial use thereof has been granted for consideration or otherwise to a taxable person." There can be no doubt that under the provisions of the contract in question, the purchaser to whose possession the property

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had been transferred was granted beneficial use thereof. It follows on the strength of the provision Sec. 40(a) of PD 464 that the said property is not exempt from the real property tax. While this decree just cited was still inexistent at the time the taxes at issue were assessed on the herein appellant, indeed its above quoted provision sheds light upon the legislative intent behind the provision of Commonwealth Act 186, pertaining to exemption of the GSIS from taxes. The end result is but in consonance with the established rule in taxation that exemptions are held strictly against the taxpayer and liberally in favor of the taxing authority.

DECISION

TEEHANKEE, *J.*:

In line with the fundamental rule that tax exempting provisions of law are to be construed in *strictissimi juris*, the Court hereby affirms the decisions of the Baguio City Court and Court of First Instance adjudging the defendant-appellant, an installment purchaser of a parcel of land and its building and improvements within a housing project belonging to the Government Service Insurance System (GSIS), liable to pay realty taxes thereon from the time possession of such property was transferred to him, although pending full payment of the purchase price the seller GSIS as a government corporation exempt from the payment of taxes retains ownership and title over the property.

This tax collection suit instituted by the City of Baguio, against appellant Fernando S. Busuego, originated in the City Court and was subsequently elevated to the Court of First Instance. In both courts, the case was submitted for consideration on the following stipulation of facts:

"1. That on August 11, 1959 defendant and the Government Service Insurance System, a government corporation, executed, by and between themselves, a 'Contract to Sell' over the property described in the complaint; a copy of the same is attached as Annex 'A' to defendant's Memorandum in support of Motion to Dismiss

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and is hereby reproduced by reference and made an integral part hereof;[1]

"2. That the agreed purchase price for the property has not yet been fully paid and the GSIS has, up to the present time, title of the property in question (per T.C.T. #T-3978 Reg. of Deeds of Baguio City), although the defendant is using the same;

"3. That under Commonwealth Act No. 186, the GSIS as well as its property are exempt from payment of all types and kinds of taxes;

"4. That the property involved in this case has been consistently assessed by the City of Baguio in the name of the GSIS;

"5. That the unpaid realty taxes, per records of the City Treasurer's Office, on the property for the period from 1962 to 1966 amounts to ₱1,656.00;

"6. That demands were made on the defendant for payment of the aforesaid realty taxes but said defendant refused and failed to pay the same;

"7. That under the Contract to Sell (Annex 'A'), the title remains with the GSIS until full payment of purchase price although actually the possession has already been transferred to the herein defendant (vendee);

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[1] Pertinent portions of the "Contract to Sell" read:

"2. The PURCHASER agrees to pay and shoulder all taxes and assessments on the lot and building or improvements thereon and insurance during the term of this contract.

"3. Possession of the building, the improvements thereon and the parcel of land hereinabove contracted to be sold will be delivered to the PURCHASER by the CORPORATION, or its duly authorized representative, after the approval of the application by the Board of Trustees, the signing of this contract, and the payment of the down payment of (15% for Member, 25% for Non-Member) ₱8,250.00 in the Office of the CORPORATION at Manila.

"4. After completion of the payments herein stipulated and the payment of all other charges, assessments, taxes, insurance charges, due and payable by the PURCHASER, the CORPORATION agrees to execute a final deed of absolute sale in favor of the PURCHASER and to deliver to him a Torrens Title to the said parcel of land. All expenses for execution of the deed of absolute sale, registration, notarization, documentary stamps shall be borne and paid for in advance by the PURCHASER."

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"8. That defendant has paid the amount of ₱287.80 for realty taxes due for the year 1963; that demands for refund were made by defendant on plaintiff; and

"9. That defendant contracted to pay his counsel the amount of ₱1,500.00 as attorney's fees in this case.

On the basis of the above stipulation of facts, the city court rendered judgment in favor of plaintiff sentencing defendant to pay the sum of ₱1,656.00 with legal interest from the filing of complaint on August 18, 1966 until the same is fully paid. Upon appeal, the court of first instance, concluding that the contract entered into by the parties was a perfected contract of sale, likewise held that defendant as owner was liable for the realty taxes on the property, and, therefore, likewise ordered defendant to pay the same amount as adjudged by the city court representing taxes for the period from 1962 to 1966, with legal interest from August 18, 1966, deducting therefrom the amount of ₱287.00 realty taxes for the year 1963 which he had already paid.

Paragraph 2 of the contract entered into by the GSIS and the defendant-appellant manifests the latter's willingness at the signing thereof to pay and shoulder all taxes and assessments on the subject property and insurance thereon during the term of the said contract. However, appellant-purchaser after having voluntarily paid taxes due on the property in the amount of ₱287.00 for the year 1963 backed out of his undertaking upon discovering that Section 28(c) of Commonwealth Act 186[2] exempts the GSIS from the payment of taxes. His theory is that while title to the property has not passed to him, per paragraph 4 of the contract, and ownership remains with the seller, there could not be any obligation to pay taxes on the property that should be assumed by him as purchaser, since the owner-seller, in whom title remains, is exempt from taxes.

[2] Said provision reads: "Sec. 28(c) — Except as otherwise herein provided, the GSIS, all benefits granted under this Act, and its forms and documents required of the members shall be exempt from all types of taxes, documentary stamps, duties and contributions, fiscal or municipal, direct or indirect, established or to be established."

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We affirm. The court of first instance may have erred in pronouncing the "Contract to Sell" as a perfected contract of sale, contrary to its very terms that title remained with the seller who undertook to execute a final deed of absolute sale and deliver to the purchaser title to the property only after completion of the stipulated payments,[3] but this is not decisive of the issue.

What is determinative was its rulings on the merits (not on the nomenclature or classification of the contract), wherein it correctly held that purchaser-appellant agreed to the contractual stipulation "to pay and shoulder all taxes and assessments on the lot and building or improvements thereon and insurance during the term of the contract. In view of his acceptance of this condition, he is now estopped to deny his liability to pay the taxes. And, on the other hand, when the GSIS sold the property and imposed said condition, the agency altho exempt from the payment of taxes clearly indicated that the property became taxable upon its delivery to the purchaser" and that "the sole determinative factor for exemption from realty taxes is the 'use' to which the property is devoted, And where 'use' is the test, the ownership is immaterial. (Martin on the Rev. Adm. Code, 1961, Vol. II, p. 487, citing *Apostolic Prefect of Mt. Province vs. Treasurer of Baguio City*, 71 Phil. 547). In the instant case, altho the property was still in the name of the GSIS pending the payment of the full price its use and possession was already transferred to the defendant." Such contractual stipulation that the purchaser on installments pay the real estate taxes pending completion of payments, although the seller who retained title is exempt from such taxes, is valid and binding, absent any law to the contrary and none has been cited by appellant.

Thus, the delivery of possession by the seller GSIS to the purchaser was clearly with the intention of passing to the latter the possession, use of and control over said property, and all

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[3] *Roque vs. Lapuz*, G.R. No. L-32811, March 31, 1980. See also *Luzon Brokerage Bldg. Co. Inc. vs. Maritime Bldg. Co. Inc. et al.*, 43 SCRA 93 (1972) Resolution on the Motion for Reconsideration, 46 SCRA 381 (1973) and Resolution on Second Motion for Reconsideration, Nov. 16, 1978, 86 SCRA 305.

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the other attributes of ownership, short of the naked ownership, such that it included in said transfer the incidental obligation to pay the taxes thereon, for nothing more was left to the GSIS except its right to receive full payment of the purchase price. The fact that in the contract to sell, the GSIS although aware of its own exemption from taxation stipulated and exacted from the purchaser the payment of taxes amount to an interpretation on its part that such an immunity was to be transmitted to a private person who becomes the beneficial owner and user of the property.[4] Verily, this interpretative regulation by the administrative agency officially charged with the duty of administering and enforcing Commonwealth Act 186 which contains the tax-exempting provision at issue carries great weight in determining the operation of said provision.

The position taken by the GSIS is but in conformity with Section 40(a) of Presidential Decree No. 464 entitled The Real Property Tax Code promulgated on May 20, 1974 which reads as follows:

"Sec. 40. Exemptions from Real Property Tax. — The exemptions shall be as follows:

"(a) Real property owned by the Republic of the Philippines or any of its political subdivisions and any government-owned corporation so exempt by its charter; Provided, however, That this exemption shall not apply to real property of the above named entitles the beneficial use of which has been granted, for consideration or otherwise, to a taxable person."

Thus under this provision, while the GSIS may be exempt from real estate tax[5] the exemption does not cover property

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[4] Accord with this interpelation was expressed in an Opinion of the Government Corporate Counsel No. 18, series of 1977 where the question was squarely raised as to whether awardees of GSIS property should pay realty taxes on the lots possessed by them under conditional contracts of sale. The said counsel therein opined that it "would be incongruous to hold that just because the GSIS is exempt from the real estate tax, the awardees should also be exempt therefrom. x x x A contrary view will unjustly deprive the government of real estate taxes rightfully due to it."

[5] This Court is aware of the provision of Section 23 of PD 1177 which provides:

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belonging to it "where the beneficial use thereof has been granted for consideration or otherwise to a taxable person." There can be no doubt that under the provisions of the contract in question, the purchaser to whose possession the property had been transferred was granted beneficial use thereof. It follows on the strength of the provision Sec. 40(a) of PD 464 that the said property is not exempt from the real property tax. While this decree just cited was still inexistent at the time the taxes at issue were assessed on the herein appellant, indeed its above quoted provision sheds light upon the legislative intent behind the provision of Commonwealth Act 186, pertaining to exemption of the GSIS from taxes.

The end result is but in consonance with the established rule in taxation that exemptions are held strictly against the taxpayer and liberally in favor of the taxing authority.[6]

ACCORDINGLY, the appealed judgment is hereby affirmed, without pronouncement as to costs.

Makasiar, Fernandez, Guerrero, and *Melencio-Herrera, JJ.*, concur.

"Sec. 23. Tax and Duty Exemptions. — All units of government, including government owned or controlled corporations, shall pay income taxes, customs duties and other taxes and fees as are imposed under revenue laws: provided, that organizations otherwise exempted by law from the payment of such taxes/duties may ask for a subsidy from the General Fund in the exact amount of taxes/duties due: provided, further, that a procedure shall be established by the Secretary of Finance and the Commissioner of the Budget, whereby such subsidies shall automatically be considered both revenue and expenditure of the General Fund."

Although the Court is not making the conclusion that the GSIS is no longer exempt from taxation, it takes note of the apparent tendency of the lawmakers to now disfavor tax exemptions.

[6] *Central Azucarera Don Pedro v. Court of Tax Appeals*, G.R. L-23236 and 23254, May 31, 1967, 20 SCRA 344; *Republic Flour Mills v. Com. of Internal Revenue,* G.R. No. L-25602, Feb. 18, 1970, 31 SCRA 520, *Commissioner of Customs v. Philippine Acetylene Co. and CTA*, G.R. No. L-22443, May 29, 1971, 39 SCRA 70.