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SECOND DIVISION

[G.R. No. 147192. June 27, 2006]

GOVERNMENT SERVICE INSURANCE SYSTEM, *petitioner, vs.* **THE CITY ASSESSOR OF ILOILO CITY, THE REGISTER OF DEEDS OF ILOILO CITY and ROSALINA FRANCISCO, represented by her attorney- in-fact, SALVADOR PAJA I,*** *respondents.*

SYLLABUS

1. **TAXATION; EXEMPTION OF GSIS FROM TAX LIABILITIES; LIMITATION OF APPLICATION THEREOF.** — Even if the charter of the GSIS generally exempts it from tax liabilities, the prescription is not so encompassing as to make the tax exemption applicable to the properties in dispute here. In the early case of *City of Baguio v. Busuego*, we held that the tax-exempt status of the GSIS could not prevent the accrual of the real estate tax liability on properties transferred by it to a private buyer through a contract to sell. In the present case, GSIS had already conveyed the properties to private persons thus making them subject to assessment and payment of real property taxes. The alienation of the properties sold by GSIS was the proximate cause and necessary consequence of the delinquent taxes due. The doctrine laid down in *City of Baguio* is reflected in Section 234 (a) of the LGC, which states: Section 234. *Exemptions from Real Property Tax. — The following are exempted from payment of the real property tax:* (a) Real property owned by the Republic of the Philippines or any of its political subdivisions *except when the beneficial use thereof has been granted, for consideration or otherwise, to a taxable person.*

2. **STATUTORY CONSTRUCTION; REPEAL OF LAW, EXPRESS OR IMPLIED, NOT PRESENT IN CASE AT BAR.** — The abrogation or repeal of a law cannot be assumed; the intention

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* The Presiding Judges of the Regional Trial Court, Branches 36 and 31, both of Iloilo City, were impleaded as public respondents. Under Rule 45 of the Rules of Court, the appeal therein may be filed without impleading the lower courts or the judges thereof, either as petitioners or respondents.

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to revoke must be clear and manifest. R.A. 8291 made no express repeal or abrogation of the provisions of R.A. 7160, particularly Section 234 (a) thereof. Repeal by implication in this case is not at all convincing either. To bring about an implied repeal, the two laws must be absolutely incompatible. They must be clearly repugnant in a way that the later law (R.A. 8291) cannot exist without nullifying the prior law (R.A. 7160). Indeed, there is nothing in R.A. 8291 which abrogates, expressly or impliedly, that particular provision of the LGC. The two statutes are not inconsistent on that specific point, let alone so irreconcilable as to compel us to uphold one and strike down the other. The rule is that every statute must be interpreted and brought into accord with other laws in a way that will form a uniform system of jurisprudence. The legislature is presumed to have known existing laws on the subject and not to have enacted conflicting laws. Thus, the legislature cannot be presumed to have intended Section 234 (a) to run counter to Section 39 of R.A. 8291.

APPEARANCES OF COUNSEL

The Chief Legal Counsel (GSIS) for petitioner.

City Legal Counsel and *Pedro B. Gallada* for City Assessor and City Treasurer.

D E C I S I O N

CORONA, *J.*:

Assailed in this present petition for review under Rule 45 of the Rules of Court are the decision[1] and resolution[2] of the Court of Appeals (CA) dismissing a petition for annulment of judgment[3] filed by petitioner, the Government Service Insurance System

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[1] Penned by Justice Rodrigo V. Cosico and concurred in by Associate Justices Godardo A. Jacinto and Remedios Salazar-Fernando of the 11th Division of the Court of Appeals; *rollo*, pp. 31-35.

[2] Penned by Justice Rodrigo V. Cosico, and concurred in by Associate Justices Godardo A. Jacinto and Remedios Salazar-Fernando of the Former 11th Division of the Court of Appeals; *rollo*, pp. 37-38.

[3] CA-G.R. SP No. 51149.

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(GSIS), in Cadastral Case No. 84 and another unnumbered cadastral case decided by the Regional Trial Court (RTC), Branches 36 and 31, of Iloilo City, respectively.

In the two cadastral cases, private respondent Rosalina Francisco petitioned for the issuance of new transfer certificates of title (TCTs) in her name over two parcels of land, to wit:

TCT No. 41681

A parcel of land known as Lot No. 6, Block 2, of the Subdivision Plan (LRC) Psd-184005 being a portion of Lot 2214-B, Jaro Cadastre, LRC (GLRO) Record No. 8 situated in the District of Jaro, Iloilo City, Island of Panay, registered in the name of GSIS c/o Baldomero Dagdag, of legal age, Filipino citizen and resident of Jaro, Iloilo City, Philippines on June 28, 1991.

TCT No. 48580

A parcel of land known as Lot No. 22, Block 2, of the Subdivision Record No. 8 situated in the District of Jaro, Iloilo City, Island of Panay, registered in the name of GSIS c/o Rodolfo Ceres, of legal age, Filipino Citizen and a resident of Iloilo City, Philippines, with an area of Two Hundred Ninety-Four (294) square meters, more or less.

Private respondent Francisco purchased the subject properties in the auction sales held for the satisfaction of delinquent real property taxes. After the lapse of the one-year redemption period and the failure of the registered owner or any interested person to redeem the properties, the Iloilo City Treasurer issued the corresponding final bill of sale to private respondent. The sales were later on duly annotated on the certificates of title on file with the Register of Deeds. However, the final bill of sale could not be registered because the owner's duplicate certificate of title was unavailable at that time.

To effect registration in her name, private respondent instituted separate petitions for the entry of title in her name over the two lots with the RTCs of Iloilo City. Both petitions were unopposed.

Finding merit in her petitions, the RTCs, in separate orders issued on separate dates, directed the issuance of new duplicate

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TCTs. The dispositive portion of the April 29, 1993 order of RTC Branch 36 in Cadastral Case No. 84 read:

> WHEREFORE, premises considered, the Register of Deeds of the City of Iloilo is hereby ordered to issue new owner's duplicate copy of Transfer Certificate of Title No. T-41681 in the name of GSIS c/o Baldomero Dagdag, upon payment of the required legal fees. Accordingly, the lost copy of the subject title is hereby declared as NULL and VOID.[4]

On the other hand, RTC Branch 31 also issued an order, dated November 8, 1994, in the other (unnumbered) cadastral case, the dispositive portion of which read:

> WHEREFORE, as prayed for, the Register of Deeds, City of Iloilo is hereby directed to issue a new owner's duplicate certificate of Title No. T-48580 in the name of the G.S.I.S. C/O RODOLFO CERES, the registered owner, basing the same on the Original Certificate of Title found intact and existing in the Office of the Register of Deeds and the latter to cancel Transfer Certificate of Title No. T-48580 together with the encumbrances therein and to issue a new Transfer Certificate of Title in the name of ROSALINA FRANCISCO of legal age, single, Filipino Citizen and resident of Brgy. Tacas, Jaro, Iloilo City, Philippines. The owner's duplicate certificate of title No. T-48580 which was not surrendered is hereby declared null and void.[5]

No appeal was made from both orders of the courts *a quo*, hence, they became final and executory.

In a petition to annul the judgment of the trial court, petitioner, as the alleged previous owner of the parcels of land sold at public auction, assailed the orders of the RTCs of Iloilo City before the CA. It claimed that the assessment of real property taxes on it (GSIS) was void since, under its charter (R.A. 8291), it was exempt from all forms of taxes (including real property taxes on the properties held by it) that were due to the local governments where such properties were located. Furthermore, it claimed that the proceedings in the assessment and levy of said taxes, as well as the sale of the properties at public auction,

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[4] Decided by Judge Quiaico G. Defensor.

[5] Decided by Judge Nicolas Sian Monteblanco.

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were held without notice to it, hence, its right to due process was violated.

The appellate court gave no credence to the arguments of petitioner and dismissed its petition. According to the CA, the exemption of GSIS under its charter was not applicable pursuant to Section 234(a) of R.A. 7160, otherwise known as The Local Government Code of 1991 (LGC). Under that law, the tax-exempt status of GSIS cannot be invoked where the actual use or beneficial ownership of the properties under its title has been conveyed to another person.[6] The CA added that there was also no basis for GSIS's claim that it was denied due process.[7]

Petitioner filed a motion for reconsideration but this was denied by the CA, hence, it brought this case to us *via* a petition for review on *certiorari* under Rule 45 of the Rules of Court.

In this petition, petitioner essentially faults the CA for ruling that its properties were not exempt from all forms of taxes under its charter (R.A. 8291) and that the proceedings on the assessment and levy of its properties were legal.

In support of its position, petitioner points to Section 39 of R.A. 8291 which reads:

Section 39. Exemption from Tax, Legal Process and Lien. – It is hereby declared that the actuarial solvency of the funds of the GSIS shall be preserved and maintained at all times and that the contribution rates are necessary to sustain the benefits under this Act shall be kept low as possible in order not to burden the member of the GSIS and their employers. Taxes imposed on the GSIS tend to impair the actuarial solvency of its funds and increase the contribution rate necessary to sustain the benefits of this Act. *Accordingly, notwithstanding any laws to the contrary, the GSIS, its assets, revenues, including all accruals thereto, and benefits paid shall be exempt from all taxes, assessment fees, charges or duties of all kinds.* These exemptions shall continue unless expressly and specifically revoked and any

[6] *Rollo*, pp. 31-35.

[7] *Id.*

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assessment against the GSIS as of the approval of this Act are hereby considered paid. Consequently, all laws, ordinances, regulations, issuances, opinions, or jurisprudence contrary to or in derogation of this provision are hereby deemed repealed, superseded and rendered ineffective and without legal force and effect.

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The funds and/or properties referred to herein as well as the benefits, sums or monies corresponding to the benefits under this Act shall be exempt from attachment, garnishment, execution, levy or other processes issued by the courts, quasi-judicial agencies or administrative bodies including the Commission on Audit (COA) disallowances and from all financial obligations of the members, including his pecuniary accountability arising from or caused or occasioned by his exercise or performance of his official functions or duties, or incurred relative to or in connection with his position or otherwise, is in favor of GSIS.[8] (italics supplied)

We find no reversible error in the decision and resolution of the CA.

Even if the charter of the GSIS generally exempts it from tax liabilities, the prescription is not so encompassing as to make the tax exemption applicable to the properties in dispute here.

In the early case of *City of Baguio v. Busuego*,[9] we held that the tax-exempt status of the GSIS could not prevent the accrual of the real estate tax liability on properties transferred by it to a private buyer through a contract to sell. In the present case, GSIS had already conveyed the properties to private persons thus making them subject to assessment and payment of real property taxes.[10] The alienation of the properties sold by GSIS was the proximate cause and necessary consequence of the delinquent taxes due.

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[8] *Rollo*, pp. 10-11.

[9] G.R. No. L-29772. 18 September 1980. 100 SCRA 116.

[10] The property with TCT 41681 was previously conveyed to Baldomero Dagdag, while the property with TCT No. 48580 was conveyed to Rodolfo Ceres. *Supra* at p. 2.

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The doctrine laid down in *City of Baguio* is reflected in Section 234 (a) of the LGC,[11] which states:

Section 234. *Exemptions from Real Property Tax. — The following are exempted from payment of the real property tax:*

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

Petitioner, however, claims that R.A. 8291, which took effect in 1997, abrogated Section 234 (a) of the LGC of 1991.

We disagree.

The abrogation or repeal of a law cannot be assumed; the intention to revoke must be clear and manifest.[12] R.A. 8291 made no express repeal or abrogation of the provisions of R.A. 7160, particularly Section 234 (a) thereof.

Repeal by implication in this case is not at all convincing either. To bring about an implied repeal, the two laws must be absolutely incompatible. They must be clearly repugnant in a way that the later law (R.A. 8291) cannot exist without nullifying the prior law (R.A. 7160).[13]

Indeed, there is nothing in R.A. 8291 which abrogates, expressly or impliedly, that particular provision of the LGC. The two statutes

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[11] Section 40 of the Real Property Tax Code, which took effect in 1974, also carries the same provision. The case of *City of Baguio* quoted:

"Sec. 40 Exemptions from Real Property Tax. The exemption shall be as follows: (a) Real property owned by the Republic of the Philippines or any of its political subdivisions and government-owned or controlled corporations so exempt by its charter; Provided, however, that this tax 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."

[12] *STATUTORY CONSTRUCTION,* Agpalo, Fifth Edition (2003) (REX Printing Company, Inc., Quezon City, Philippines); citing *City of Manila v. Reyes*, 99 Phil. 986 (1957).

[13] *Id.*, pp. 399, 404-405.

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are not inconsistent on that specific point, let alone so irreconcilable as to compel us to uphold one and strike down the other.

The rule is that every statute must be interpreted and brought into accord with other laws in a way that will form a uniform system of jurisprudence.[14] The legislature is presumed to have known existing laws on the subject and not to have enacted conflicting laws.[15] Thus, the legislature cannot be presumed to have intended Section 234 (a) to run counter to Section 39 of R.A. 8291.

This conclusion is buttressed by the Court's 2003 decision in *National Power Corporation v. City of Cabanatuan*[16] where we declared that the tax provisions of the LGC were the most significant provisions therein insofar as they removed the blanket exclusion of instrumentalities and agencies of the national government (like petitioner) from the coverage of local taxation. In that case, petitioner National Power Corporation (NPC) claimed that it was an instrumentality of the government exempt under its charter from paying franchise tax. The Court overruled NPC and upheld the right of respondent city government to impose the franchise tax on its privilege to transact business in its area.

Again, in the 2004 case of *Rubia v. Government Service Insurance System*,[17] the Court declared that any interpretation that gave Section 39 an expansive construction to exempt all GSIS assets and properties from legal processes was unwarranted. These processes included the levy and garnishment of its assets for taxes or claims enforced against it. The Court there ruled that the exemption under Section 39 of the GSIS Charter should be read consistently with its avowed purpose – the maintenance of its actuarial solvency to finance the retirement, disability and life insurance benefits of its members. The Court meant

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[14] *Hagad v. Gozodadole*, 321 Phil. 604 (1995).

[15] *Id.*

[16] 449 Phil. 233 (2003).

[17] G.R. No. 151439, 21 June 2004, 432 SCRA 529.

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that the tax-exempt properties and assets of GSIS referred to those that remained at its disposal and use, either for investment or for income-generating purposes. Properties whose actual and beneficial use had been transferred to private taxable persons, for consideration or otherwise, were excluded and were thus taxable.

In *Mactan Cebu International Airport Authority v. Marcos*,[18] the Court ruled that the exemption of a government-owned or controlled corporation from taxes and other charges was not absolute and could be withdrawn, as in fact certain provisions of the LGC, including Section 234 (a), were deemed to have expressly withdrawn the tax-exempt privilege of petitioner as a government-owned corporation.

Lastly, even if we were to construe that R.A. 8291 abrogated Section 234(a) of the LGC, still it cannot be made to apply retroactively without impairing the vested rights of private respondent. The appellate court thus correctly stated:

> xxx it has been the courts' consistent ruling that a repealing statute must not interfere with vested rights or impair the obligation of contracts; that if any other construction is possible, the act should not be construed so as to affect rights which have vested under the old law. Private respondent[s], we reiterate, have become the private owner[s] of the properties in question in the regular course of proceedings established by law, and after the decisions granting such rights have become final and executory. The enactment of the new GSIS Charter cannot be applied in a retroactive manner as to divest the private respondent[s] of [their] ownership.[19] (citations omitted)

WHEREFORE, the petition is hereby *DENIED*.

No costs.

SO ORDERED.

Puno (Chairperson), Sandoval-Gutierrez, Azcuna, and *Garcia, JJ.,* concur.

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[18] 330 Phil. 392 (1996).

[19] *Rollo*, p. 38.