

### Title: City of Pasig vs. Republic of the Philippines (Represented by the Presidential Commission on Good Government)

#### Facts:

This case revolves around the ownership and tax liability of two parcels of land situated in Pasig City, previously owned by the Mid-Pasig Land Development Corporation (MPLDC). In 1986, MPLDC's properties were voluntarily surrendered by their registered owner, Jose Y. Campos, to the Republic of the Philippines, represented by the Presidential Commission on Good Government (PCGG), as part of the government's efforts to recover ill-gotten wealth accumulated during the Marcos regime.

Years later, the Pasig City Assessor's Office sent MPLDC notices for delinquent real property taxes amounting to millions of pesos for the period of 1979 to 2005. In response, the PCGG, asserting the properties were now owned by the state and thus exempt from taxation, sought to invalidate the tax assessments, levies, and subsequent auction of the properties where Pasig City emerged as the buyer.

The case went through the Regional Trial Court (RTC), which sided with the PCGG, holding that the properties, being owned by the state and comprising ill-gotten wealth, were exempt from real property taxes. However, the Court of Appeals initially reversed the RTC's decision, declaring that the properties remained subject to taxation as they were registered under MPLDC, a private entity, and not conclusively declared state property nor ill-gotten wealth. Upon reconsideration, the Court of Appeals reversed its initial ruling, acknowledging the state ownership of the properties and their exemption from taxation unless leased to taxable entities.

#### Issues:

1. Whether the properties are owned by the Republic of the Philippines and thus exempt from real property tax.
2. Whether the beneficial use of the properties leased to taxable entities subjects them to real property tax despite state ownership.

#### Court's Decision:

The Supreme Court partly granted the petition. It concurred with the RTC and the Court of Appeals (on reconsideration) that the Republic of the Philippines, through the PCGG, owns the properties due to the voluntary surrender of MPLDC by Jose Y. Campos. The properties, attributable to ill-gotten wealth voluntarily turned over to the state, are exempt from real

property taxation except for the portions leased to taxable entities. Hence, only those portions of the properties leased to taxable entities are subject to real property tax.

#### Doctrine:

The Supreme Court reaffirmed the principle that properties owned by the Republic of the Philippines are exempt from real property tax except when the beneficial use thereof has been granted, for consideration or otherwise, to a taxable person (Section 234(a) of Republic Act No. 7160).

#### Class Notes:

1. **Ill-gotten Wealth and Property Ownership**: Properties surrendered as ill-gotten wealth to the state are considered exempt from real property tax unless proven otherwise.
2. **Beneficial Use and Tax Liability**: The beneficial use of a property, if granted to a taxable entity, subjects the property or portions thereof to real property taxation.
3. **Legal Remedies and Exhaustion**: The exhaustion of administrative remedies is required before resorting to judicial action, except when curing grave abuses of discretion.

#### Historical Background:

This case illustrates the complexities surrounding the recovery of ill-gotten wealth in the Philippines post-Marcos regime. It highlights the legal challenges in establishing state ownership of assets voluntarily surrendered and underscores the intricacies of tax liabilities for properties entangled in the restitution of ill-gotten wealth.