

TOMAS TRIA TIRONA, PETITIONER-APPELLEE, VS. THE CITY TREASURER OF MANILA AND/OR CITY MAYOR OF MANILA, RESPONDENTS-APPELLANTS.

G.R. No. L-24607. January 29, 1968

Ponente: BENGZON, J.P., J.

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BENGZON, J.P., J.:

Tomas Tria Tirona is the legitimate original holder of a P6,777.92-USAFFE Backpay Certificate No. A-23426 (1684) issued by the Republic of the Philippines on May 30, 1955 under Republic Act 304, as amended. Tirona paid therewith his real estate taxes on his land in Sampaloc, Manila for the years 1957 to 1959.

On December 19, 1958, Mayor Arsenio Lacson prohibited the acceptance of backpay certificates in payment of taxes or obligations due to the City of Manila. The matter was indorsed first to the National Treasurer, then to the Department of finance, particularly the Undersecretary, and both opined[1] that the acceptance of the backpay certificates in payment of taxes is mandatory under Section 2 of Republic Act 304, as amended. In spite of these opinions, acceptance was refused Tirona when he tried to pay the City of Manila his real estate taxes for 1960-1963 through his backpay certificate.

On July 30, 1963, Tirona sought to compel the City Treasurer and/or City Mayor of Manila to accept his backpay certificate in payment of real estate taxes from 1960-1963 (later amended to cover taxes for 1964) thru an action filed before the Court of First Instance of Manila.

After hearing and presentation of evidence, the Court of First Instance, on January 25, 1965, rendered a decision ordering the respondents to accept the backpay certificate on the ground that Section 2 of Republic Act 306, as amended, expressly gives the holder of a backpay certificate the right to give the certificate in payment of his taxes and other indebtedness, which right must be imposed on the Government, its branches and instrumentalities.

Respondents appealed directly to Us, alleging that acceptance of the certificates is discretionary on the part of the City and that its compulsory acceptance would constitute an impairment of the obligation of contracts.[2]

Section 2 of R.A. 304, as amended by Republic Acts 800 and 897, provides:

"SEC. 2. The Treasurer of the Philippines shall, upon application of all persons specified in section one hereof and within one year from the approval of this amendatory Act, and under such rules and regulations as may be promulgated by the Secretary of Finance, acknowledge and file requests for the recognition of the right to the salaries or wages as provided in Section one hereof, and notice of such acknowledgment shall be issued to the applicant which shall state the total amount of such salaries or wages due the applicant, and certify that it shall be redeemed by the Government of the Philippines within ten years from the date of their issuance without interest: Provided, That upon regulations as may be approved by the Secretary of Finance a certificate of indebtedness may be issued by the Treasurer of the Philippines covering the whole or part of the total salaries or wages the right to which has been duly acknowledged and recognized, provided that, the face value of such certificate of indebtedness shall not exceed the amount that the applicant may need for the payment of (1)

obligations subsisting at the time of the approval of this amendatory Act for which the applicant may directly be liable to the Government or to any of its branches or instrumentalities, or the corporations owned or controlled by the Government, or to any citizen of the Philippines, or to any association or corporation organized under the laws of the Philippines, who may be willing to accept the same for such settlement; (2) his taxes; (3) government hospital bills of the applicant; (4) lands purchase or leased or to be purchased or leased by him from the public domain; and (5) any amount received by the applicant as gratuity or pension which he has to refund to the Government or to any of its branches or instrumentalities; Provided, further, That such settlement shall be effected by indorsement on the instrument: x x x"

Appellants cite the case of *De Borja v. Gella*,^[3] where We held that the Cities of Pasay and Manila were not bound to accept payment of real estate taxes through backpay certificates because first, the obligations were not subsisting at the time Republic Act 304 took effect on June 18, 1948, considering that the tax obligation in question accrued after 1948; secondly, because Section 2 of Republic Act 304, as amended, allows such payment only if the tax is owed by the original certificate holder himself, and lastly, that compensation cannot be had under Article 1279 of the Civil Code because the requisites for compensation were not present.

Although the Gella case was decided when Republic Act 800 amended Republic Act 304 on June 21, 1952, there was no substantial difference in development upon the effectivity of the latest amendment - Republic Act 897 on June 20, 1953. Republic Act 304 effective June 18, 1948, originally provided for registration of claims of all officers and employees of the Government of the Commonwealth of the Philippines, its branches and instrumentalities and the corporations owned or controlled by the Government and those of free local civil governments, provincial or municipal, duly organized for purposes of resistance against the enemy to salaries and wages during the enemy or Japanese occupation. Republic Act 800 amended Republic Act 304 to include effective officials who held over in their positions, as recipients of the benefits of Republic Act 304, also authorizing the issuance and use of certificates of indebtedness for purchase of public lands and authorized the limited negotiability of the certificates. The latest amendment, Republic Act 897, extended the benefits to the members of the Philippine Army and recognized guerrilla forces and officers of the Philippine Scouts, allowed certificates to be used in the purchase of public lands and government properties and payment of the obligations subsisting at the time of approval of Republic Act. 897. Except for these, there is no substantial change in the wording of the provisions.

Lately, this Court speaking through Mr. Justice J.B.L. Reyes in *Tirona v. Cudiamat*,^[4] required the acceptance of the certificates in payment of real estate taxes, reversing the rule enunciated in the Gella case with regard to the non-applicability of real estate taxes on the ground that the debts were not subsisting at the time of the approval of the Act. Quoting Section 2 of Republic Act 304, as amended by Republic Act 897, this Court held in said *Tirona* case that while the applicability of the backpay certificates to the payment of the holder's obligations to the Government or any of its branches or instrumentalities, is limited to those subsisting at the time of the approval of the Act, the statute also declares the applicability of such certificates to the payment by the holder of "his taxes" - without any specific limitation. Had the Legislature intended also to limit the payment of taxes, it would have so expressed as it did with regard to obligations.

It is also claimed that the respondents are not bound to accept the backpay certificates, arguing that according to Section 2 of the Act, as amended, certificates may be paid for "obligations subsisting at the approval of this act for which the applicant may be directly liable to the Government or to any, of its branches or instrumentalities or the corporations owned or controlled by the Government or to any citizen of the Philippines or to any association or corporations organized under the laws of the Philippines who may be willing to accept the same for such settlement." Contrary to their allegations of discretions in acceptance, it has already been settled that the phrase "who may be willing to accept the same for settlement" in Section 2 refers only to "any citizen of the Philippines

or any association or corporation organized under the laws of the Philippines", and not to the Government or any of its agencies.[5]

Furthermore, Section 2 of Republic Act 304, as amended, states that the backpay certificates shall be redeemed by the Government of the Philippines. "Government of the Philippines" refers to that governmental entity through which the functions of the government are exercised as an attribute of sovereignty, and in this are included those arms through which political authority is made effective whether they be provincial, municipal or other form of local government.[6] Thus, the phrase includes even the City of Manila.

Respondents fear disadvantageous effects of compulsory acceptance of the certificates on its treasury. As stated in the Tirona case, whatever unfavorable affects the acceptance of the certificates may have on the City's finances, the effects must be deemed to have been intended by the Legislature, which, after all, has full control over Cities and Municipalities in these matters.

That the compulsory acceptance by the City of Manila of the backpay certificates would be an impairment of obligations of contracts is not tenable because the City of Manila cannot be classified as falling under the phrase "any citizen, association, or corporation" which are not Government entities or owned or controlled by the Government.[7]

WHEREFORE, the decision appealed from is hereby affirmed. No costs.

SO ORDERED.

Concepcion, C.J., Reyes, J.B.L., Dizon, Makalintal, Zaldivar, Sanchez, Ruiz Castro, Angeles, and Fernando, JJ., concur.

[1] Amended Record on Appeal, pp. 19-22.

[2] Appellee did not file brief.

[3] L-18330, July 31, 1963.

[4] L-21235, May 31, 1965.

[5] *Florentino v. PNB*, 98 Phil. 959.

[6] Section 2, Revised Administrative Code; *Bacani & Matoto v. National Coconut Corp.*, L-9659, Nov. 29, 1956.

[7] *Florentino v. PNB*, *supra*.

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