

SOCIAL SECURITY SYSTEM, PETITIONER, VS. CITY OF BACOLOD AND MIGUEL REYNALDO AS CITY TREASURER OF BACOLOD CITY, RESPONDENTS.

G.R. No. L-35726. July 21, 1982

Ponente: ESCOLIN, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/92874d7ba458/>

ESCOLIN, J.:

We set aside the decision of the Court of First Instance of Negros Occidental in Civil Case No. 5980, entitled "Social Security System versus City of Bacolod and Miguel Reynaldo, as City Treasurer of Bacolod City," which sustained the forfeiture of certain real properties of the Social Security System in favor of the City of Bacolod for delinquency in payment of real estate taxes.

Petitioner Social Security System is a government agency created under Republic Act No. 1161, whose primary function is to "develop, establish gradually and perfect a social security system which shall be suitable to the needs of the people throughout the Philippines, and shall provide protection against the hazards of disability, sickness, old age, and death." [1]

In pursuance of its operations, petitioner main-tains a number of regional offices, one of which is the five-storey building, known as SSS Building in Bacolod City, occupying four parcels of land. In 1970, said lands and building were assessed for taxation at P1,744,840.00.

For petitioner's failure to pay the realty taxes for the years 1968, 1969 and 1970 which, including penalties, amounted to P104,956.06, respondent city sometime in early 1970 levied upon said lands and building; and on April 3, 1970, it declared said properties forfeited in its favor.

In protest thereto, petitioner addressed a letter dated July 27, 1970 to the City Mayor of Bacolod, through respondent city treasurer, seeking reconsideration of the forfeiture proceedings on the ground that petitioner, being a government-owned and controlled corporation, is exempt from payment of real estate taxes.

When no action thereon was taken by respondent city treasurer, petitioner filed an action in the Court of First Instance of Negros Occidental for nullification of the forfeiture proceedings. In the same complaint it sought the issuance of a writ of preliminary injunction to restrain respondent city from consolidating its ownership over the forfeited properties, and this writ was issued by the court upon petitioner's posting of a cash bond in the amount of P105,000.00.

After due hearing, the lower court rendered a decision declaring -

"x x x the properties of the Social Security System not exempt from the payment of real property tax inasmuch as the SSS does not fall under the provisions of Section 29 of the Charter of the City of Bacolod, and considering further that there is no law which exempts said entity from taxes, the same should therefore be subject to taxation like any other corporation in accordance with Section 27 of the City Charter of Bacolod City. The complaint is hereby dismissed with costs against the plaintiff."

Hence, this petition.

We find the petition meritorious. Section 29 of the Commonwealth Act No. 326, otherwise known as the Charter of the City of Bacolod, provides as follows:

"SECTION 29. Exemption from taxation. - Lands and buildings owned by the United States of America, the Commonwealth of the Philippines, the City of Bacolod, the Province of Occidental Negros, and cemeteries, churches and their adjacent parsonages and convents, and lands, buildings and improvements used exclusively for religious, charitable, scientific or educational purposes, and not for profit, shall be exempt from taxation; but such exemptions shall not extend to lands or buildings held for investment, though the income therefrom be devoted to religious, charitable, scientific or educational purposes."

The court a quo restricted the scope of the exemption contemplated by the above section exclusively to those government agencies, entities and instrumentalities exercising governmental or sovereign functions. It relied on the ruling laid down in "NACOCO versus Bacani, et al." [2] to the effect that the National Coconut Corporation, a government agency performing mere ministrant functions, is not included in the term "Government of the Republic of the Philippines" for purposes of exemption from the legal fees provided for in Rule 130 of the Rules of Court. [3] Invoking the case of "SSS versus Hon. Soriano, et al." [4] where this Court definitively categorized the SSS as a government agency performing proprietary functions, the trial court concluded that petitioner SSS does not fall within the coverage of Section 29 of the Charter of Bacolod City.

There can be no question that a government owned or controlled corporation is subject to payment of the legal fees provided for in Rule 130 of the Rules of Court. Such liability is plainly written in Section 1 of Republic Act No. 104, which reads:

"x x x All corporations, agencies, or instrumentalities owned or controlled by the government shall pay such duties, taxes, fees and other charges upon their transaction, business, industry, sale, or income as are imposed by law upon individuals, associations or corporations engaged in any taxable business, industry, or activity except on goods or commodities imported or purchased and sold or distributed for relief purposes as may be determined by President of the Philippines."

However, the subject of inquiry in the case at bar is not whether a government corporation exercising ministrant or proprietary function, such as petitioner SSS, is exempt from the payment of legal fees, but whether the properties in question, which are concededly owned by the government, are exempt from realty taxes. We hold that under Section 29 of the Charter of the City of Bacolod, they are so exempt.

It bears emphasis that the said section does not contain any qualification whatsoever in providing for the exemption from real estate taxes of "lands and buildings owned by the Commonwealth or Republic of Philippines." Hence, when the legislature exempted lands and buildings owned by the government from payment of said taxes, what it intended was a broad and comprehensive application of such mandate, regardless of whether such property is devoted to governmental or proprietary purpose.

This conclusion is ineluctable from an examination of Commonwealth Act No. 470, a statute which deals specifically with the incidence of real estate taxes and the exemption thereto. It is to be noted that section 3(a) of said statute contains a similarly worded exemption from the payment of realty taxes of "properties owned by x x x the Republic of the Philippines, any province, city, municipality or municipal district x x x." And in "Board of Assessment Appeals versus Court of Tax Appeals" [5], this Court interpreted this provision in this wise:

"x x x in exempting from taxation 'property owned by the Republic of the Philippines, any province, city, municipality or municipal district x x x' said section 3(a) of Republic Act No. 470 makes no distinction between property held in a sovereign, governmental or political capacity and those possessed in a private,

proprietary or patrimonial character. And where the law does not distinguish neither may we, unless there are facts and circumstances clearly showing that the lawmaker intended the contrary, but no such facts and circumstances have been brought to our attention. Indeed, the noun 'property' and the verb 'owned' used in said section 3(a) strongly suggest that the object of exemption is considered more from the view point of dominion, than from that of domain. Moreover, taxes are financial burdens imposed for the purpose of raising revenues with which to defray the cost of the operation of the Government, and a tax on property of the Government, whether national or local, would merely have the effect of taking money from one pocket to put it in another pocket (Cooley on Taxation, Sec. 621, 4th Edition). Hence, it would not serve, in the final analysis, the main purpose of taxation. What is more, it would tend to defeat it, on account of the paper work, time and consequently, expenses it would entail. (The Law on Local Taxation, by Justiniano Y. Castillo, p. 13)."

The distinction laid down in "NACOCO versus Bacani"[6] between government agencies exercising constituent functions, on the one hand, and those performing ministrant functions, on the other, has therefore no relevance to the issue before Us. What is decisive is that the properties possessed by the SSS, albeit devoted to private or proprietary purpose, are in fact owned by the government of the Philippines. As such they are exempt from realty taxes. It is axiomatic that when public property is involved, exemption is the rule and taxation, the exception.

In connection with the issue at hand, it would not be amiss to state that Presidential Decree No. 24, which amended the Social Security Act of 1954, has already removed all doubts as to the exemption of the SSS from taxation. Thus -

"SEC. 16. Exemption from tax, legal process, and lien. - All laws to the contrary notwithstanding, the SSS and all its assets, all contributions collected and all accruals thereto and income therefrom as well as all benefit payments and all papers or documents which may be required in connection with the operation or execution of this Act shall be exempt from any tax, assessment, fee, charge or customs or import duty; and all benefit payments made by the SSS shall likewise be exempt from all kinds of taxes, fees or charges, and shall not be liable to attachment, garnishments, levy or seizure by or under any legal or equitable process whatsoever, either before or after receipt by the person or persons entitled thereto, except to pay any debt of the covered employee to the SSS."

WHEREFORE, the decision under review is hereby set aside, and the surety bond filed by petitioner cancelled.

SO ORDERED.

Barredo, (Chairman), Concepcion, Jr., Guerrero, Abad Santos, and De Castro, JJ., concur. Aquino, J., see concurrence.

[1] Section 2, Republic Act No. 1161.

[2] 100 Phil. 468.

[3] Now Section 8, Rule 141, New Rules of Court, referring to fees for transcript of stenographic notes taken in judicial proceedings.

[4] 7 SCRA 1016.

[5] 8 SCRA 225.

[6] *supra*. The 'constituent-ministrant' criterion of governmental functions applied in *NACOCO vs. Bacani* has been abandoned in *Agricultural Credit and Cooperative Financing Administration versus Confederation of Unions in Government Corporations and Offices, et al.* (30 SCRA 649, 666-667, 682-683).

CONCURRING OPINION

AQUINO, J.:

I concur because the Social Security System, which is controlled and directed by a Social Security Commission headed by the Minister of Labor and Employment and six members appointed by the President of the Philippines, and which is an agency of the Republic of the Philippines, providing for sickness, unemployment, retirement, disability and death benefits for employees, is indubitably a part of the Government of the Republic and, therefore, it is clearly exempted from realty tax under the Assessment Law and the Real Property Tax Code.

That exemption is clearly provided for in Presidential Decree No. 24, amending section 16 of the Social Security Law.

The SSS is like the Government Service Insurance System (exempt from taxes under section 33 of Presidential Decree No. 1146), the Civil Service Commission or any bureau of the Government. It is not in the category of government-owned or controlled corporation.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.