

PRUDENCIO DE JESUS, PLAINTIFF AND APPELLEE, VS. THE CITY OF MANILA, DEFENDANT AND APPELLANT.

G.R. No. 9337. December 24, 1914

Ponente: MORELAND, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-9337/>

MORELAND, J.:

This is an appeal from a judgment of the Court of First Instance of the city of Manila in favor of the plaintiff and against the defendant for the sum of P1,649.82, with interest and costs.

It appears from the record that in 1901 Pastor Lerma, who was at that time the owner of a piece of land situated in the city of Manila, declared the same for taxation, alleging its area to be 337,938.50 square meters, when, in truth and in fact, it was 480,695.53 square meters. By reason of this inaccurate declaration 142,767.03 square meters escaped the payment of taxes from 1901 to 1910, in which year the taxes which would have been paid upon said 142,767.03 square meters, if properly declared, were assessed for the years from 1901 to 1910 against the plaintiff, who was at that time the owner of said lands.

It further appears that, at the time the plaintiff bought the land in question from Lerma, in 1907, it was registered under the Torrens system and that the plaintiff, in purchasing said land, received a certificate of title thereto in accordance with the provisions of Act No. 496.

The city, on the assessment of the taxes for the said years against the plaintiff, proceeded by distraint against the property for the collection of the same,, whereupon the plaintiff, to avoid litigation, trouble and expense, paid taxes, fees and interest in the sum of P2,096.49, under protest, and thereafter began this action to recover the same.

The learned trial court found in favor of the plaintiff for the sum of P1,649.82 and costs, and the defendant city appealed from that judgment.

A demurrer was interposed to the complaint in the Court of First Instance and sustained. Upon the request of plaintiff the court entered final judgment dismissing the complaint and the plaintiff appealed to this court therefrom. Upon that appeal this court held that the complaint stated facts sufficient to constitute a cause of action and remanded the cause for proceedings in accordance with law. Thereupon the defendant duly answered, the parties stipulated the facts, and the court, in view of the decision of the Supreme Court as to the sufficiency of the facts stated in the complaint, rendered judgment in favor of the plaintiff as hereinabove stated.

The only question presented on this appeal is whether or not a purchaser for value and in good faith of land registered under Act No. 496, which has escaped taxation by reason of the failure of the prior owner to declare it for taxation as required by law, takes such land free and clear from the burden of such taxes, they never having been, prior to the purchase, actually levied or assessed against the land by reason of said failure of the prior owner to declare it for taxation.

The determination of that question depends on the wording of section 39 of Act No. 496, as amended by Act No.

2011. That section reads, so far as material, as follows:

"Every applicant receiving a certificate of title in pursuance of a decree of registration, and every subsequent purchaser of registered land who takes a certificate of title for value in good faith shall hold the same free of all incumbrances except those noted on said certificate, and any of the following incumbrances which may be subsisting, namely:

"Second. Taxes within two years after the same have become due and payable."

There is no claim on the part of the plaintiff that the taxes in question here were illegally or erroneously assessed or levied or that the additional area of 142,767.03 square meters was illegally or erroneously listed and included in the tax rolls of the city. Nor does he question either the authority of the city assessor and collector in listing said area for taxation and in assessing all the taxes due or the validity of the assessment itself or of any of the steps leading up to such assessment. His action is based solely on the proposition that, under section 39 above quoted, his land "cannot be incumbered with the land tax except those corresponding to the years" during which he has held it.

As to the appellant's contention, perhaps it is best to let it state it in its own words:

"The appellant contends that the taxes which appellee seeks to recover were not 'due and payable' until 1910 when the area of 142,767.03 square meters was for the first time listed and valued for taxation and taxes assessed against him as owner.

"The sum sought to be recovered represents the back taxes which were assessed and levied in 1910 on the area in question which had escaped taxation in the previous years, and were charged against plaintiff in pursuance of section 50 of Act No. 183 * * *.

"In compliance with the duty thus imposed upon him by the provisions of the law above quoted, the city assessor and collector, upon discovery that said area of 142,767.03 square meters of plaintiff's land had escaped taxation, proceeded to list the same in his tax rolls and assessed and levied the taxes in question.

"Act No. 183 provides for a per centum tax on the assessed value of the real estate in the city of Manila. The tax being based on the assessed value of the realty, the proportion to be collected from any individual taxpayer is not known, nor can it be ascertained unless the valuation and assessment of the property is first made. For this very reason said Act * * * establishes as a prerequisite that the real estate in the city of Manila shall be assessed and valued for taxation by the city assessor and collector,' and charges said officer with the duty of listing all taxable property in the city. It is obvious, therefore, that there can be no taxes due and payable unless the assessment and valuation of the property to be taxed is first made, for, otherwise, the amount of the tax cannot be ascertained.

"* * * Now, it is difficult to surmise what method of reasoning has led plaintiff to the conclusion that such provision of the Land Registration Act is applicable to the case at bar. The complaint specifically alleges that the back taxes in question were not assessed and levied until 1910, years after the transfer of the area in question to the plaintiff. Taxes were paid in 1911 or one year after they were assessed and levied. Assuming that an owner's certificate was issued to plaintiff in 1907, section 39 of Act No. 496 is clearly inapplicable for there were no taxes 'due and payable' then on the area in question. This area was listed and valued and the taxes were assessed and levied after the issuance of his certificate, not before. Assessment is the listing and valuation of property liable to taxation. (Adam vs. Tonella, 70 Miss., 701; 22 L. R; A., 349.) 'With out an assessment there is no debt from the taxpayer, and there is no obligation on his part which can be enforced in an action.' (Galusha vs. Wendt, 114 Iowa, 604.) It is the basis of the levy, and without it there cannot properly be a levy. (Worthington vs. Withman, 70 Iowa, 192.)"

We are of the opinion that the appellant has misunderstood the purpose of Act No. 496. If a statute needs interpretation or construction, the influence most dominant in that process is the purpose or intent of the Act. We have held (*City of Manila vs. Lack*, 19 Phil. Rep., 324) that the general purpose of the Land Registration Act (No. 496) was to create an indefeasible title and one free from all charges, liens and incumbrances except those preserved against it by special mention in the decree of registration or by provision of law. Section 39 of that Act embodies that purpose in express law. It declares, in effect, that every owner of registered land shall hold the same free and clear from any and all liens and incumbrances except those set forth in the decree of registration and those mentioned and excepted in that section. To repeat, the purpose was to give to the person registering, and to his transferee for value, an absolutely clean title, one not subject to hidden defects, to undeveloped or inchoate claims, to any sort of restriction, limitation or reduction except those named in the certificate of registration or described in section 39.

This being the purpose of the statute, the exceptions named in section 39 will not be enlarged beyond the actual signification of the words used or extended beyond the limits which the words themselves actually set. Reading that section in the light of this purpose, we see, from the second paragraph thereof, that the only taxes to which property held under a Torrens title is subject in the hands of the person who obtained the original registration, or of an innocent purchaser for value, are those "within two years after the same have become due and payable." From this section, it is clear that, before land just registered or transferred for value after registration can be subjected to payment of past taxes, three things are requisite: First, they must be taxes; second, they must be due and payable and subsisting as liens; and, third, they must be due and payable within two years of the time when the land was originally registered or when the transfer was made to the purchaser for value.

We pass over the question which might be raised as to whether the assessment in question, made in the year 1910, was really taxes in 1907, the year in which the plaintiff purchased the land, and take up, first, the second requisite, which is that the taxes be due and payable and subsisting as charges on the land. Clear it is that, under this section, taxes not due and payable are not included among the subsisting liens and incumbrances to which land in the condition described is subject; and, if the assessment in question, made for the first time in 1910, can be said to have been taxes in 1907, it certainly was not, under the tax laws, "taxes due and payable." Under the tax laws taxes are not due and payable until they have been levied or assessed as provided by law. In 1907, therefore, the taxes now sought to be collected were not due and payable, as they had not then been levied or assessed on the property. As to this requisite then, the taxes in question do not fall within its definition or terms. Reverting to the third requisite, it is clear that the taxes in question, not being due and payable until 1910, the year in which they were assessed for the first time, they were not taxes due and payable within two years prior to the time when the transfer to the plaintiff was made. Taxes due and payable for the first time in 1910 could not have been due and payable two years prior to 1907, the year in which the plaintiff purchased the land, nor could they have been subsisting as liens or incumbrances at that time.

It is, therefore, evident that the taxes in question do not fulfill, with the possible exception of the first, any one of the requisites necessary to bring¹ them within the second paragraph of section 39.

A further argument in favor of our position might be based upon the fact that, if it was the intention of the law to relieve registered land under certain conditions from taxes which are subsisting liens and incumbrances thereon, and this, of course, is the fact, since, under section 39, all taxes, although duly levied and assessed and, therefore, subsisting liens and incumbrances prior to registration or the sale, are prevented from having any force or effect on the land so registered or sold, it is evident that so-called taxes which have not been assessed or levied against the property and are simply inchoate and undeveloped, in other words, taxes in embryo, cannot be held to be a lien or incumbrance upon the land so registered or conveyed or to affect the title thereto. If it was the intention of

the law to wipe out actual liens and incumbrances, is it logical to contend that it was also the intention to preserve, with the force of liens and incumbrances, inchoate taxes, or taxes in embryo, which, as a matter of law, are not liens or incumbrances in any sense of the word? It seems to us that the greater must include the less. If a measure contains ten gallons it also contains five; and, if a statute relieves land from taxes which are actual liens and incumbrances, it must be held to have been the intention to relieve it from those which are not only not liens and incumbrances but are not even in existence. It is the protection of the purchaser which is the dominant note of the statute; and, if such taxes as those here in question may be collected, then the value of that title has been reduced, its efficacy impaired, and one of the main purposes of the Land Registration Act defeated; for taxes which have never been levied or assessed are far more dangerous to a purchaser than taxes actually assessed and of record, because they are wholly unknown and unascertainable.

We see no foundation for the contention of the appellant that this construction of the statute repeals section 50 of Act No. 183. It is true that the provisions may at times, in a way, come in conflict with each other. But that is due to the provisions themselves and not to our construction of them. Section 50 authorizes the city assessor and collector to list, value and charge against the owner of lands which have theretofore escaped taxation the taxes due for the current year and for all other years for which they had not been assessed. This provision is general. Section 39 puts a limitation on it. It declares that, although taxes may be assessed as provided in section 50, they cannot be so assessed to the extent of impairing the virtues of a Torrens title as it is obtained by registration or by a purchaser for value. After section 50 has fully operated, section 39 determines whether the taxes assessed under that section will be collectible out of lands held under registered title. Section 50 deals with the levy and assessment of taxes; section 39 with the conditions under which certain lands shall be exempt from the payment of taxes. By their very nature these sections will at times be in open conflict. In such case the tax must give way to the title—the general provision to the exception.

Nor do we see any strength in the contention that our construction of section 39 discriminates against unregistered property. In this connection the appellant says:

"The per centum tax provided by that Act (No. 183) is not distributed per capita or apportioned between individuals, but is assessed directly against the property. It is repugnant to reason to assume that the Philippine Commission, while it sought to secure this uniformity of taxation by enacting said section 50 of Act No. 183, intended immediately after to defeat that object by creating an exemption in favor of registered lands that have escaped taxation. This in itself would amount to a discrimination against lands not registered, a thing which is contrary to the principles of taxation."

The defect in this reasoning is that it assumes that the Philippine Commission did not intend to do with unassessed taxes what appellant admits it actually did with respect to taxes actually assessed and due and payable and existing as liens on the property. Is it a violent conclusion to assume that the Philippine Commission did not intend to incumber registered lands with unassessed taxes in the face of the proposition that it actually relieved such lands from taxes actually assessed and existing as liens thereon? No one denies that the Philippine Commission made certain declarations in favor of registered lands which it did not make, and did not intend to make, in favor of lands not registered. In fact, as we have already stated, the whole purpose of Act No. 496 is to make registered lands different from unregistered lands and to give them advantages very much superior to the latter. Moreover, appellant overlooks the purpose of Act No. 496, namely, the creation of an indefeasible title not only in the hands of him who registers it but also in the hands of the person to whom he transfers it for value. The accomplishment of this purpose required certain concessions in favor of that title and corresponding limitations of the rights of others. It is impossible to make the rights of a holder of a Torrens title altogether superior without, at the same time, making the rights of others in the same premises inferior. There is no discrimination in section 39 against unregistered property. There is simply a protection of registered titles. The fact that unregistered titles are

in many ways seriously defective furnishes no reason why the Legislature should not create a title that is not defective. When the intention of the Legislature in passing' Act No. 496 is kept clearly in mind, it is not at all strange that the Legislature subordinated the right of the Government to collect taxes in certain cases to the creation of an indefeasible and unimpeachable title and in furtherance of that intention declared that it was better that the Government lose a tax occasionally than that registered titles should be uncertain always.

The contention is equally without merit that our construction of section 39 makes that section repugnant to section 70 of the same Act. As we said in discussing section 50, there will be at times open conflict between the two sections, but that is not due to construction but arises, rather, out of the subject matter with which the two sections deal. Section 70 provides that after lands are registered they shall then "in all respects be subject to the same burdens and incidents attached by law to unregistered lands;" and that "nothing contained in this Act shall in any way be construed to relieve registered land or the owners thereof from * * * liability to any lien of any description established by law on the land and the buildings thereon * * * or to relieve such land from liability to be appropriated in any lawful manner for the payment of debts, or to change or affect in any other way any other rights or liabilities created by law and applicable to unregistered land, except as otherwise expressly provided in this Act or in the amendments hereof." When registered they become subject, as the section says, to all of the incidents to which unregistered lands are subject. In discussing this section, as in discussing section 50, distinction must always be made between lands which were registered after the taxes sought to be collected were assessed or might have been assessed, or, having been registered, were transferred to a purchaser for value after the taxes were assessed or might have been assessed. It must be remembered that the purpose of Act No. 496 was to create and preserve an unimpeachable title. A perfect title is obtained by the act of registration and, in order to keep that title perfect, it is cleaned anew with every subsequent transfer for value. One of the main requisites of a perfect title is that it can be transferred and received fearlessly; and to the maintenance of this quality the Legislature, with certain limitations, has subordinated every other consideration, including the interests of the Government itself. The result of the theory on which we are deciding this case is not to relieve registered lands from taxation or from any other of the burdens imposed by section 70, but to declare that the Government cannot hide its claims or fail to present them for any considerable length of time and thereby pile them up against the lands in such manner as to destroy or impair the quality of free and fearless transfer without which the Registration Act fails of one of its most important purposes. As already stated, it is no doubt true that occasions will arise when sections 39 and 70 of Act No. 496 will be in apparent conflict. In such cases the general provisions of section 70 must give way to the exceptions of section 39. While such a condition may lead one who is not a careful observer to the conclusion that there is a repugnancy between the two sections, that is not the fact in reality. Section 39 forms an exception to the general provisions of the Act and particularly of section 70. Where an Act contains an exception, the exception is as much a part of the Act as the general provisions to which it presents the exception; and when the occasion for the application of the exception arises it cannot really be said that there is repugnancy between the general provisions and the exception.

From what has been said it is clear that section 50 of Act No. 183 and section 70 of Act No. 496 are both applicable to registered land. In order to avoid confusion it is necessary, as we have already remarked more than once, to distinguish between the case where the registered lands were owned by the person against whom the taxes are assessed for the period during which they are assessed, and the case where the lands have been transferred by him to an innocent purchaser for value. So long as the registered lands are owned by A, they are subject to the provisions of section 50 as well as section 70. If A has misrepresented to the tax authorities the area of his land and declared it for less than its real extension, then section 50 can be invoked to oblige him to pay the taxes on the excess area. But if, after having incorrectly declared said lands and after having had his taxes assessed in accordance with his false declaration, thereby escaping taxation on a portion of the land, he transfers

the lands to B, who buys them for value, then section 50 cannot be invoked as to the portion which thus escaped taxation, because of certain provisions of Act No. 496 (sec. 39) which declare that an innocent purchaser for value shall take the lands free from all liens and incumbrances except those specifically named in section 39. Thus, the plaintiff being the owner of the lands at this moment and having been the owner since 1907, the year of his purchase, he is liable for all the taxes levied and assessed, or which might have been levied or assessed, upon said lands since that time; and if it appears that, during the time from 1907 to date, he has misstated the area of the land in his declaration for taxation, such area can be corrected under section 50 and he be made to pay the taxes which he should have paid. But if, to-day, he transfers that land to a purchaser for value, the purchaser is not responsible for the taxes on the excess area, nor can the land be subjected in his hands to the payment of such taxes. It seems to us clear that the confusion into which the appellant has fallen would have been avoided if it had made the distinction between lands in the hands of the person who owned them at the time the taxes became due, or during the period covered by the false declaration, and those in the hands of a purchaser for value to whom that person transfers such lands.

The plaintiff is liable for all taxes and assessments which were levied or assessed, or which might have been levied or assessed, during his ownership of the lands. It appears that he realized that he was so liable and has paid the taxes for the years 1907 to 1910. He claims only the right to recover for the taxes paid for the years previous to the date of his purchase; and those taxes not having been either due or payable and not having even been assessed or levied prior to the time when he purchased the land, his contention is well founded.

The judgment appealed from is affirmed, with costs against the appellant.

Arellano, C. J., Torres and Araullo, JJ., concur.

Carson and Trent, JJ., dissent.

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.