44 Phil. 383

[G.R. No. 19297. January 26, 1923]

ARMY & NAVY CLUB, MANILA, PLAINTIFF AND APPELLANT, VS. WENCESLAO TRINIDAD, COLLECTOR OF INTERNAL REVENUE, DEFENDANT AND APPELLEE.

D E C I S I O N

MALCOLM, J.:

The question at issue in this case is whether the land on which the Army and Navy Club of Manila is situated should be assessed at P4.04 a square meter, the amount which the club paid the City of Manila for the land, or whether it should be assessed at P20 a square meter, the amount at which the city assessor and collector valued the land. It is said to be a test case.

By a contract entered into on December 29, 1908, the City of Manila sold to the Army and Navy Club of Manila 12,665.46 square meters of land located in the New Luneta, recently filled, for P4.04 a square meter. It was agreed between the parties "that the above described premises, together with the improvements which may be made thereupon, shall be exempt from taxation for a period of ten years following the date when the city engineer of the City of Manila shall make his certificate declaring that said premises are ready for building purposes." It was further agreed, "that the party of the first part shall have the right at its option to repurchase said described premises for public purposes only, at any time after fifty years from the fulfilling of the terms of this contract and the conveyance of said described premises by the first party or its successors to the second party or its successors, upon the payment to the second party or its successors of the purchase price hereinbefore set forth, plus the then value of the improvements thereon, and when such value shall be ascertained and the whole amount paid to the party of the second part or its successors, the second party agrees to reconvey the said described premises with all the appurtenances

thereunto belonging to the first party."

The final deed from the City of Manila was executed on September 20, 1918. It called for 12,705.30 square meters, and contained, among others, the clauses in the original document above quoted.

Taxes on the property, according to the aforesaid instruments, became payable for the first time in the year 1920. The city assessor and collector thereupon assessed the land at P20 per square meter. The Army and Navy Club paid the tax under protest. Subsequently, there followed the instant action. In the lower court, after trial, judgment was rendered dismissing the complaint.

With this brief statement of the case and of the facts before us, the issue which was set forth in the beginning of the opinion reasserts itself for resolution.

It is a general rule that real estate is to be valued for purposes of taxation at its fair market value or, as it is called in the Charter of the City of Manila, its "cash value." By "fair market value" or "cash value" is meant the amount of money which a purchaser willing but not obliged to buy the property would pay to an owner willing but not obliged to sell it, taking into consideration all uses to which the property is adapted and might in reason be applied. The criterion established by the statute and by the decisions contemplates a hypothetical sale. Hence, the buyers need not be actual and existing purchasers. What a thing has cost is no infallible criterion of its market value. (26 R. C. L., 365; Turnley *vs*. City of Elizabeth [1908], 76 N. J. L., 42; Central Railroad Company *vs*. State Board of Assessors [1886], 49 N. J. L., 1; Administrative Code, sec. 2483.)

Where evidence of values is not readily obtainable, the actual profits made on the property may be considered. But in the case of exceptional property, not designed to yield a rental or income or to be used for commercial purposes, but wholly or mainly for personal use, benefit, and gratification, the rule that the rental or income of property is a proper criterion in ascertaining its value for taxation does not apply. In fact, there exists no rigid rule for the valuation of property, which is affected by a multitude of circumstances which no rule could foresee or provide for. (New Orleans Cotton Exchange *vs*. Board of

Assessors [1885], 37 La. Ann., 423.)

Up to this point, we have stated facts and law to which both parties would agree. But having followed the road thus far, the plaintiff and the defendant part company.

The principal thesis of the appellant is this: The land of the Army and Navy Club here in question has no sales value other than P4.04 per square meter. In fact the land cannot be sold, in view of the clauses in the deed giving the City of Manila the right to repurchase at P4.04, and restricting the use of the land to club purposes. This is undeniably a strong position.

The principal basis for the decision of the trial judge, now taken over to support the contention of the Government, is this: It cannot be deduced from the stipulation, authorizing the City of Manila to purchase the land on which the Army and Navy Club is located after the expiration of fifty years at the price which the club paid for the land, that the value of the land was to remain stationary and invariable throughout the fifty years. This, likewise, is a strong position.

To what has been said by counsel for the appellant and by the city fiscal, little can be added. The authorities are not helpful. Deductive reasoning leads either to the bald proposition announced by the appellant or to the bald proposition announced by the appellee.

After thoughtful consideration of the case, the members of the court have come to agree with the judgment rendered by the trial court. They are of the opinion that the views announced by the trial judge and again advanced by the Government, are the more reasonable, everything considered. They cannot believe that it was the intention to permit the Army and Navy Club to pay taxes on its land at the purchase value throughout all the fifty years, while surrounding property in Ermita and on the Cavite Boulevard must pay much more.

In addition, there are two other factors of some importance which can be mentioned. In the first place, it cannot be presumed that the Government, in this instance, the City of Manila, would set up one standard of taxation for one person and another standard for other persons. The city authorities must have had in mind that conceding to the Army and Navy Club exemption from taxation for

ten years was the limit of municipal consideration.

In the next place, assessors, in fixing the value of property, have to consider all the circumstances and elements of value, and must exercise a prudent discretion in reaching conclusions. Courts, therefore, will not presume to interfere with the intelligent exercise of the judgment of men specially trained in appraising property. Where, as the Supreme Court of Louisiana says, the judicial mind is left in doubt, it is a sound rule to leave the assessment undisturbed. (Viuda e Hijos de Pedro P. Roxas *vs*. Rafferty [1918], 37 Phil., 957; New Orleans Cotton Exchange *vs*. Board of Assessors, *supra*.)

Frankly admitting, therefore, that appellant has made out a strong case, we are nevertheless constrained to affirm the judgment, without special finding as to costs in either instance. So ordered.

Araullo, C.J., Street, Avanceña, Villamor, Johns, and *Romualdez, JJ.,* concur.

Date created: September 26, 2018