



Republic of the Philippines  
Supreme Court  
Manila

EN BANC

LAND BANK OF THE PHILIPPINES,  
Petitioner,

G.R. No. 203242

Present:

-versus-

LUCY GRACE AND ELMA GLORIA  
FRANCO, REPRESENTED BY  
ATTORNEY-IN-FACT VICENTE  
GUSTILLO, JR.,  
Respondents.

BERSAMIN, *J.*, Chief Justice,  
CARPIO,  
PERALTA,  
DEL CASTILLO,  
PERLAS-BERNABE,  
LEONEN,  
JARDELEZA,  
CAGUIOA,  
REYES, A., JR.,  
GISMUNDO,  
REYES, J., JR.,  
HERNANDO,  
CARANDANG, and  
LAZARO-JAVIER, *JJ.*

Promulgated:

March 12, 2019

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DECISION

LEONEN, *J.*:

The final determination of just compensation is vested in courts. In the recent case of *Alfonso v. Land Bank*,<sup>1</sup> this Court, through Associate Justice Francis H. Jardeleza, ruled that courts may deviate from the basic formula provided by administrative agencies if it finds, in its discretion, that

<sup>1</sup> *Alfonso v. Land Bank of the Philippines*, 801 Phil. 217 (2016) [Per J. Jardeleza, En Banc].

other factors must be taken into account in the determination of just compensation. Deviation, however, must be grounded on a reasoned explanation based on the evidence on record. Absent this, the deviation will be considered as grave abuse of discretion.<sup>2</sup>

For this Court's resolution is a Petition for Review on Certiorari<sup>3</sup> assailing the Court of Appeals January 20, 2011 Decision<sup>4</sup> and August 8, 2012 Resolution<sup>5</sup> in CA-G.R. SP No. 03225. The Court of Appeals affirmed the September 18, 2007 Decision<sup>6</sup> of the Special Agrarian Court, which fixed the value of just compensation for the lands appropriated at ₱1,024,115.49.

Lucy Grace Franco and Elma Gloria Franco (the Francos) were the registered owners of parcels of agricultural land in Barangay Maquina, Dumangas, Iloilo, covered by Transfer Certificate of Title Nos. T-62209, T-62210, T-62212, and T-51376.<sup>7</sup>

The Francos offered the parcels of land for sale to the Department of Agrarian Reform under the Voluntary Offer to Sell of the Comprehensive Agrarian Reform Program in 1995.<sup>8</sup> Of the 14.444 hectares of the property, 12.5977 hectares were acquired and distributed to qualified agrarian reform beneficiaries.<sup>9</sup>

During the summary proceedings before the Department of Agrarian Reform, the parcels of land were valued at ₱714,713.78.<sup>10</sup> The Francos did not agree with the initial valuation. Upon a Petition for Review, the Department of Agrarian Reform Adjudication Board raised the amount to ₱739,461.43,<sup>11</sup> which the Francos then withdrew from the Land Bank of the Philippines (Land Bank).<sup>12</sup>

Still dissatisfied with the amount, the Francos on August 3, 2000 filed before the Regional Trial Court, sitting as the Special Agrarian Court, a

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<sup>2</sup> Id.

<sup>3</sup> *Rollo*, pp. 9–40.

<sup>4</sup> Id. at 41–47. The Decision was penned by Associate Justice Eduardo B. Peralta, Jr., and concurred in by Associate Justices Edgardo L. Delos Santos and Agnes Reyes Carpio of the Twentieth Division, Court of Appeals, Cebu City.

<sup>5</sup> Id. at 51–54. The Resolution was penned by Associate Justice Edgardo L. Delos Santos, and concurred in by Associate Justices Ramon Paul L. Hernando (now a member of this Court) and Gabriel T. Ingles of the Nineteenth Division, Court of Appeals, Cebu City.

<sup>6</sup> Id. at 64–77. The Decision, in Civil Case No. 00-26367, was penned by Judge Ma. Yolanda M. Panaguigon-Gaviño of Branch 34, Regional Trial Court, Iloilo City.

<sup>7</sup> Id. at 41.

<sup>8</sup> Id. at 14 and 41–42.

<sup>9</sup> Id.

<sup>10</sup> Id. at 42.

<sup>11</sup> Id.

<sup>12</sup> Id. at 65.

Complaint for the determination of just compensation.<sup>13</sup> Subsequently, they filed an Amended Petition against Land Bank, the Secretary of Agrarian Reform, and other tenant-beneficiaries who were not included in the original Complaint.

In its September 18, 2007 Decision,<sup>14</sup> the Special Agrarian Court fixed the just compensation for the 12.5977 hectares of land area actually taken by the government in the amount of ₱1,024,115.49.<sup>15</sup> It ordered Land Bank to pay the remaining balance of ₱288,115.49 with legal interest at 12% per annum from April 25, 1996 until full payment.<sup>16</sup> Moreover, it held that under Section 19<sup>17</sup> of Republic Act No. 6657, or the Comprehensive Agrarian Reform Law, the Francos were also entitled to an additional five percent (5%) cash payment by way of incentive for voluntarily offering their lots for sale.<sup>18</sup> In arriving at the amount, the Special Agrarian Court reasoned that:

[T]he Court finds the total valuation by the LBP and the DAR in the amount of P739,461.43 to be unrealistically low and therefore is not the just compensation of the subject lot. On the other hand, the valuation of the petitioners is likewise cumbersomely high for the government and the farmer-beneficiaries considering that the valuation of P300,000.00 per hectare they initially asked in 1998 were based only on assumptions of facts unsupported by credible evidence. This offer of P300,000.00 was reiterated by Mr. Gustilo during the hearing and clearly, this offer is based on his own declarations but this was not adequately substantiated and therefore inconclusive. Thus, the Court in the exercise of its judicial prerogatives, must consider the needs of both parties and should be guided by several factors in order to arrive at a just compensation which is fair, reasonable and acceptable to the parties.

....

*The Supreme Court has ruled that (sic) in several cases that the determination of just compensation is a function addressed to the Courts. It may not be usurped by any other branch or official of the government. The Courts are unanimous in decrying mathematical formulas or method "where even a grade school pupil could substitute for a judge for fixing just compensation. These methods are considered impermissible encroachments on judicial prerogatives. They tend to render the court inutile in a matter which under the [C]onstitution is reserved to the courts for final determination". Thus, pure mathematical approaches to valuation will not be tolerated by the courts, whose hands remain free and untied in arriving at just compensation.*

<sup>13</sup> Id.

<sup>14</sup> Id. at 64–77.

<sup>15</sup> Id. at 76. In the table provided on the same page, the total area actually taken by the government was erroneously written as 12.59977 hectares.

<sup>16</sup> Id.

<sup>17</sup> Rep. Act No. 6657 (1988), sec. 19.

SECTION 19. *Incentives for Voluntary Offers for Sales.* — Landowners, other than banks and other financial institutions, who voluntarily offer their lands for sale shall be entitled to an additional five percent (5%) cash payment.

<sup>18</sup> *Rollo*, p. 77.

*Thus, in determining just compensation, the Court will take into consideration the factors, like the price set by the plaintiffs when they first offered the subject land for voluntary acquisition (P300,000.00 per hectare; Date of Offer – January 30, 1995) and those provided under Section 17 of R.A. 6657, to wit: a) the cost of acquisition of the land; b) the current value of like properties; c) the sworn valuation by the owner; d) the tax declarations and assessments; e) the assessments made by government assessors; f) the social and economic benefits contributed by the farmers and the farm workers and by the government to the property; and g) the non-payment of taxes or loans secure from any government financing institution on the said land.*

The petitioners herein presented the four (4) Tax Declarations for 1996 of the subject lots wherein the assessor fixed the market value per hectare of the bamboo land at P45,200.00 (total area – 0.5000 Has.); for rice land irrigated at P60,830.00 (total area – 1.5716 hectares); for coconut land at P45,000.00 (total area – 0.2000 hectares); and for sugar land at P122,000.00 (total area – 8.2318 hectares) or a total market value of P1,131,479.60.

Although the market value appearing in the tax declaration is usually lower than the actual value of the property, the court will consider the said amount since no evidence was presented by the plaintiffs to prove a higher amount.

In evaluating the subject lot in the case at bar, the Court will take into account the amount of P31,789.80 per hectare of bamboo land consisting of 0.4855 hectares; P59,871.97 per hectare of rice unirrigated consisting of 8.9920 hectare[s]; and P59,502.19 per hectare of rice unirrigated consisting of 3.1202 hectares, *which was arrived at using the mathematical formula provided under DAR Administrative Order No. 5, Series of 1998 and the market value of the property as shown in the tax declarations* which are as follows: for bamboo land consisting of 0.5000 hectares, the market value is P22,600.00; for coconut land consisting of 0.2000 hectares, the market value is P9,000.00; for rice irrigated consisting of 1.5716 hectares, the market value is P95,600.00 per hectare; and for sugar land consisting of 8.2318 hectares, the market value is P1,004,279.60 or a total market value of P1,131,479.60. *The average of these amounts will be considered the just compensation of the subject lot. Such method of valuation is intended to take into account all the factors previously discussed.* Therefore, the average of these two figures will result in the following valuation per hectare:

	Per Hectare	Area Actually Taken	Value
Bambooland	₱38,494.50	0.4855 Has.	₱18,689.08
Rice unirrigated	₱90,935.96	8.9920 Has.	817,696.15
Rice unirrigated	₱60,166.10	<u>3.1202 Has.</u> [12.5977] has.	<u>187,730.26</u> ₱1,024,118.49

From the foregoing computations, this Court finds and so hold (*sic*) that the just compensation or land value of the subject lot located at Brgy. Maquina, Dumangas, Iloilo covered by TCT Nos. T-62209, T-62210, T-62212 and T-51376 and registered in the name of Lucy Grace Franco

married to Jose Mandoriao, Jr. and Elma Gloria Franco is P1,024,115.40 for the 12.5977 hectares actually taken by the government and transferred in favor of the qualified farmer-beneficiaries.

....

The concept of just compensation embraces not only the correct determination of the amount to be paid to the owners of the land, but also the payment of the land within a reasonable time from its taking. Without prompt payment, compensation cannot be considered “just” for the property owner is made to suffer the consequence of being immediately deprived of his land while being made to wait for a decade or more before actually receiving the amount necessary to cope with his loss.<sup>19</sup> (Emphasis supplied)

Land Bank filed a Motion for Reconsideration, but it was denied by the Special Agrarian Court in a November 14, 2007 Order.<sup>20</sup>

Land Bank filed before the Court of Appeals a Petition for Review under Rule 42 of the Rules of Court, arguing that the Special Agrarian Court’s determination of just compensation was inconsistent with Department of Agrarian Reform Administrative Order No. 5, series of 1998 (Administrative Order No. 5).<sup>21</sup>

In its January 20, 2011 Decision,<sup>22</sup> the Court of Appeals, citing *Heirs of Lorenzo and Carmen Vidad v. Land Bank of the Philippines*,<sup>23</sup> affirmed the ruling of the Special Agrarian Court and held that the determination of just compensation is judicial in nature:

Settled is the principle that the determination of just compensation is judicial in nature. Hence, contrary to petitioner’s assertion, the court *a quo* may properly determine for itself the amount of just compensation to be awarded to private respondents. . . . The transaction involved the taking of the property of private respondents under R.A. 6657 which was an exercise of the State’s power of eminent domain. As such, *the valuation of property or determination of just compensation is vested with the courts and not with administrative agencies. Thus, even though there might have been an acceptance by the landowner of the valuation of the DAR, this acceptance does not bar resort to the courts for the final determination of just compensation.*

“R.A. 6657 does not make DAR’s valuation absolutely binding as the amount payable by petitioner. A reading of Section 18 of R.A. 6657 shows that the courts, and not the DAR, make the final determination of just

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<sup>19</sup> Id. at 74–76.

<sup>20</sup> Id. at 43.

<sup>21</sup> Id. at 17, Petition for Review on Certiorari.

<sup>22</sup> Id. at 41–47. The Decision was penned by Eduardo B. Peralta, Jr. and concurred in by Associate Justices Edgardo L. Delos Santos (Chair) and Agnes Reyes Carpio of the Twentieth Division.

<sup>23</sup> 634 Phil. 9 (2010) [Per J. Carpio, Second Division].

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compensation. It is well-settled that the DAR's land valuation is only preliminary and is not, by any means, final and conclusive upon the landowner or any other interested party. The courts will still have the right to review with finality the determination in the exercise of what is admittedly a judicial function."

Moreover, to sustain petitioner's position that the court *a quo* cannot re-evaluate the DAR's valuation, would modify the Special Agrarian Court's function to determine just compensation to an appellate one, instead of the original and exclusive jurisdiction vested upon it by R.A. 6657.

*Admittedly, certain factors have to be considered in the determination of just compensation. As opposed to petitioner's claim, however, it appeared that the court a quo considered these factors when it awarded the sum of ₱1,024,115.49 to private respondents as compensation for their property taken under the CARP. Aside from the evidence submitted by petitioner, the court a quo likewise gave due consideration to private respondents' evidence, particularly as to the market value of the subject parcels of land. In fact, the court a quo utilized the same values as determined by DAR using the mathematical formula provided under DAR Administrative Order No. 5, Series of 1998 which embodied the criteria laid down in Section 17 of R.A. 6657. Thus, it cannot be said that the court a quo disregarded the rules and principles established by law and jurisprudence on the fixing of just compensation.<sup>24</sup> (Emphasis supplied, citations omitted)*

The Court of Appeals, however, modified the Special Agrarian Court Decision by deleting the imposition of the 12% legal interest on the outstanding amount. In doing so, it explained that the delay in the delivery of payment has not been established.<sup>25</sup>

Land Bank filed a Motion for Partial Reconsideration, but it was denied by the Court of Appeals in its August 8, 2012 Resolution.<sup>26</sup> Hence, this Petition for Review on Certiorari<sup>27</sup> was filed.

Petitioner argues that in determining just compensation, the Special Agrarian Court expanded the basic general formula in Administrative Order No. 5 by taking the average between its valuation and the market value of the properties based on its respective tax declarations.<sup>28</sup> For reference, the basic general formula is:

$$LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$$

<sup>24</sup> *Rollo*, pp. 44–45.

<sup>25</sup> *Id.* at 45–46.

<sup>26</sup> *Id.* at 51–54.

<sup>27</sup> *Id.* at 9–40. Comment (*rollo*, pp. 98–111) was filed on January 11, 2013 while Reply (*rollo*, pp. 113–121) was filed on January 21, 2013. Parties were ordered to submit their respective Memoranda (*rollo*, pp. 131–156 and 160–170) on June 10, 2013 (*rollo*, pp. 127–128).

<sup>28</sup> *Id.* at 139–141.

Where:      LV      =      Land Value  
                  CNI     =      Capitalized Net Income  
                  CS      =      Comparable Sales  
                  MV     =      Market Value per Tax Declaration<sup>29</sup>

Petitioner contends that the Special Agrarian Court expanded the formula to  $LV = [(CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)] + 1996 \text{ tax declaration} / 2 \times \text{area}$ , which it claims was contrary to Administrative Order No. 5.<sup>30</sup> It argues that in a long line of cases, this Court “has demonstrated judicial fealty to the applicable formula and guidelines which [the Department of Agrarian Reform] issued through several administrative orders.”<sup>31</sup> It cites *Land Bank of the Philippines v. Spouses Banal*,<sup>32</sup> where the Special Agrarian Court was reminded that “the exercise of judicial discretion in fixing just compensation must be made within the bounds of [Republic Act] No. 6657 and the administrative rules issued by [the Department of Agrarian Reform].”<sup>33</sup>

Petitioner posits that the five percent (5%) cash incentive under Section 19<sup>34</sup> in relation to Section 18<sup>35</sup> of Republic Act No. 6657 refers to the mode of payment on the cash portion, but not to an additional award of five percent (5%) on top of the full amount of just compensation. It submits that considering that the properties acquired were below 24 hectares and were voluntarily offered for sale, the landowner, instead of receiving 35% in cash and 65% in agrarian reform bonds, should receive 40% in cash and 60% in agrarian reform bonds as just compensation.<sup>36</sup>

<sup>29</sup> DAR Administrative Order No. 5 (1998).

<sup>30</sup> *Rollo*, p. 141.

<sup>31</sup> *Id.* at 143.

<sup>32</sup> 478 Phil. 701 (2004) [Per J. Sandoval-Gutierrez, Third Division].

<sup>33</sup> *Rollo*, p. 143, Memorandum for Petitioner.

<sup>34</sup> Rep. Act No. 6657 (1988), sec. 19 provides:

SECTION 19. Incentives for Voluntary Offers for Sales. —Landowners, other than banks and other financial institutions, who voluntarily offer their lands for sale shall be entitled to an additional five percent (5%) cash payment.

<sup>35</sup> Rep. Act No. 6657 (1988), sec. 18 provides:

SECTION 18. Valuation and Mode of Compensation. —The LBP shall compensate the landowner in such amounts as may be agreed upon by the landowner and the DAR and the LBP, in accordance with the criteria provided for in Sections 16 and 17, and other pertinent provisions hereof, or as may be finally determined by the court, as the just compensation for the land.

The compensation shall be paid on one of the following modes, at the option of the landowner:

(1) Cash payment, under the following terms and conditions;

(a) For lands above — Twenty-five percent fifty (50) hectares, insofar (25%) cash, the balance to as the excess hectarage is be paid in government concerned financial instruments negotiable at any time.

(b) For lands above — Thirty percent (30%) cash, twenty-four (24) hectares the balance to be paid in and up to fifty (50) hectares. Government financial instruments negotiable at any time.

(c) For lands twenty-four — Thirty-five percent (35%) (24) hectares and below cash, the balance to be paid in government financial instruments negotiable at any time.

(2) Shares of stock in government-owned or controlled corporations, LBP preferred shares, physical assets or other qualified investments in accordance with guidelines set by the PARC;

(3) Tax credits which can be used against any tax liability;

(4) LBP bonds, which shall have the following features[.]

<sup>36</sup> *Rollo*, pp. 149–152.

Respondents, on the other hand, counter that the Special Agrarian Court has original and exclusive jurisdiction over all petitions for the determination of just compensation. They emphasize that this Court has already ruled that determination of just compensation is a judicial prerogative.<sup>37</sup>

Respondents likewise assert that the five percent (5%) cash incentive in Republic Act No. 6657, Section 19 refers to an additional monetary award on the entire amount of just compensation in favor of the land owners who voluntarily offered their lands for sale.<sup>38</sup> They argue that the “cash incentive entices or stimulates landowners to voluntarily sell their lands subject of eminent domain in favor of the government.”<sup>39</sup>

This Court is asked to resolve the following issues:

First, whether or not the Court of Appeals erred in affirming the Special Agrarian Court’s valuation of just compensation using a variation of the basic general formula provided for in Department of Agrarian Reform Administrative Order No. 5, series of 1998; and

Second, whether or not the five percent (5%) cash incentive under Section 19 of the Comprehensive Agrarian Reform Law refers only to the mode of payment of the cash portion, not to an increase in the total amount of just compensation.

## I

Agrarian Reform, as subsumed under social justice in this jurisdiction, is enshrined in the Constitution:

### AGRARIAN AND NATURAL RESOURCES REFORM

SECTION 4. The State shall, by law, *undertake an agrarian reform program founded on the right of farmers and regular farmworkers, who are landless, to own directly or collectively the lands they till or, in the case of other farmworkers, to receive a just share of the fruits thereof.* To this end, the State shall encourage and undertake the just distribution of all agricultural lands, subject to such priorities and reasonable retention limits as the Congress may prescribe, taking into account ecological, developmental, or equity considerations, and *subject to the payment of just compensation.* In determining retention limits, the State shall respect the

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<sup>37</sup> Id. at 163–166.

<sup>38</sup> Id. at 166.

<sup>39</sup> Id. at 166–167.



right of small landowners. *The State shall further provide incentives for voluntary land-sharing.*<sup>40</sup> (Emphasis supplied)

Several laws were enacted to ensure that the State's policy toward agrarian reform is properly carried out. These laws are outlined in *Association of Small Landowners in the Philippines, Inc. v. Secretary of Agrarian Reform*.<sup>41</sup>

R.A. No. 3844, otherwise known as the Agricultural Land Reform Code, had already been enacted by the Congress of the Philippines on August 8, 1963, in line with the above-stated principles. This was substantially superseded almost a decade later by P.D. No. 27, which was promulgated on October 21, 1972, along with martial law, to provide for the compulsory acquisition of private lands for distribution among tenant-farmers and to specify maximum retention limits for landowners.

The people power revolution of 1986 did not change and indeed even energized the thrust for agrarian reform. Thus, on July 17, 1987, President Corazon C. Aquino issued E.O. No. 228, declaring full land ownership in favor of the beneficiaries of P.D. No. 27 and providing for the valuation of still unvalued lands covered by the decree as well as the manner of their payment. This was followed on July 22, 1987 by Presidential Proclamation No. 131, instituting a comprehensive agrarian reform program (CARP), and E.O. No. 229, providing the mechanics for its implementation.<sup>42</sup>

In 1988, the Congress enacted the Comprehensive Agrarian Reform Law, which further strengthened the State's policy toward agrarian reform.<sup>43</sup>

<sup>40</sup> CONST., art. XIII, sec. 4.

<sup>41</sup> 256 Phil. 777 (1989) [Per J. Cruz, En Banc].

<sup>42</sup> Id. at 787-788.

<sup>43</sup> Rep. Act No. 6657 (1988), sec. 2 provides:

SECTION 2. Declaration of Principles and Policies. — It is the policy of the State to pursue a Comprehensive Agrarian Reform Program (CARP). The welfare of the landless farmers and farmworkers will receive the highest consideration to promote social justice and to move the nation toward sound rural development and industrialization, and the establishment of owner cultivatorship of economic-size farms as the basis of Philippine agriculture.

To this end, a more equitable distribution and ownership of land, with due regard to the rights of landowners to just compensation and to the ecological needs of the nation, shall be undertaken to provide farmers and farmworkers with the opportunity to enhance their dignity and improve the quality of their lives through greater productivity of agricultural lands.

The agrarian reform program is founded on the right of farmers and regular farmworkers, who are landless, to own directly or collectively the lands they till or, in the case of other farm workers, to receive a just share of the fruits thereof. To this end, the State shall encourage and undertake the just distribution of all agricultural lands, subject to the priorities and retention limits set forth in this Act, having taken into account ecological, developmental, and equity considerations, and subject to the payment of just compensation. The State shall respect the right of small landowners, and shall provide incentives for voluntary land-sharing.

.....  
The State shall apply the principles of agrarian reform, or stewardship, whenever applicable, in accordance with law, in the disposition or utilization of other natural resources, including lands of the public domain, under lease or concession, suitable to agriculture, subject to prior rights, homestead rights of small settlers and the rights of indigenous communities to their ancestral lands.

The State may resettle landless farmers and farmworkers in its own agricultural estates, which shall be distributed to them in the manner provided by law.

By means of appropriate incentives, the State shall encourage the formation and maintenance of

The law provided an exact definition of the phrase “agrarian reform,” thus:

Agrarian Reform means the redistribution of lands, regardless of crops or fruits produced to farmers and regular farmworkers who are landless, irrespective of tenurial arrangement, to include the totality of factors and support services designed to lift the economic status of the beneficiaries and all other arrangements alternative to the physical redistribution of lands, such as production or profit-sharing, labor administration, and the distribution of shares of stocks, which will allow beneficiaries to receive a just share of the fruits of the lands they work.<sup>44</sup>

In light of these developments, Batas Pambansa Blg. 129, or the Judiciary Reorganization Act of 1980, vested in regional trial courts exclusive and original jurisdiction of civil actions and special proceedings under the exclusive and original jurisdiction of the courts of agrarian relations.<sup>45</sup> Section 56,<sup>46</sup> in relation to Section 57<sup>47</sup> of the Comprehensive Agrarian Reform Law, confers “special jurisdiction” on special agrarian courts.

Regional trial courts, sitting as special agrarian courts, have original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners, as well as the prosecution of all criminal

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economic-size family farms to be constituted by individual beneficiaries and small landowners.

....  
The State shall be guided by the principles that land has a social function and land ownership has a social responsibility. Owners of agricultural lands have the obligation to cultivate directly or through labor administration the lands they own and thereby make the land productive.

The State shall provide incentives to landowners to invest the proceeds of the agrarian reform program to promote industrialization, employment and privatization of public sector enterprises. Financial instruments used as payment for lands shall contain features that shall enhance negotiability and acceptability in the marketplace.

The State may lease undeveloped lands of the public domain to qualified entities for the development of capital intensive farms, and traditional and pioneering crops especially those for exports subject to the prior rights of the beneficiaries under this Act.

<sup>44</sup> Rep. Act No. 6657 (1988), sec. 3(a).

<sup>45</sup> Batas Pambansa Blg. 129 (1981), sec. 19.

<sup>46</sup> Rep. Act No. 6657 (1988), sec. 56 provides:

SECTION 56. Special Agrarian Court. — The Supreme Court shall designate at least one (1) branch of the Regional Trial Court (RTC) within each province to act as a Special Agrarian Court.

The Supreme Court may designate more branches to constitute such additional Special Agrarian Courts as may be necessary to cope with the number of agrarian cases in each province. In the designation, the Supreme Court shall give preference to the Regional Trial Courts which have been assigned to handle agrarian cases or whose presiding judges were former judges of the defunct Court of Agrarian Relations.

The Regional Trial Court (RTC) judges assigned to said courts shall exercise said special jurisdiction in addition to the regular jurisdiction of their respective courts.

The Special Agrarian Courts shall have the powers and prerogatives inherent in or belonging to the Regional Trial Courts.

<sup>47</sup> Rep. Act No. 6657 (1988), sec. 57 provides:

SECTION 57. Special Jurisdiction. — The Special Agrarian Courts shall have original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners, and the prosecution of all criminal offenses under this Act. The Rules of Court shall apply to all proceedings before the Special Agrarian Courts, unless modified by this Act.

The Special Agrarian Courts shall decide all appropriate cases under their special jurisdiction within thirty (30) days from submission of the case for decision.

offenses under the Comprehensive Agrarian Reform Law.<sup>48</sup> In contrast to the special agrarian courts, the Department of Agrarian Reform Adjudication Board only has preliminary administrative determination of just compensation.<sup>49</sup>

Just compensation is “the full and fair equivalent of the property taken from its owner by the expropriator.”<sup>50</sup> The measure of the taking “is not the taker’s gain but the owner’s loss.”<sup>51</sup> The term “just” intensifies the term “compensation” to obtain a real, substantial, full, and ample equivalent for the property taken.<sup>52</sup> The jurisdiction of the trial courts, sitting as special agrarian courts, is “not any less ‘original’ and ‘exclusive’”<sup>53</sup> because the Department of Agrarian Reform passes upon the question of just compensation first.<sup>54</sup> “[J]udicial proceedings are not a continuation of the administrative determination . . . the law may provide that the decision of the [Department of Agrarian Reform] is final and unappealable. Nevertheless, resort to the courts cannot be foreclosed on the theory that courts are the guarantors of the legality of administrative action.”<sup>55</sup>

This Court has long held that settlement of the value of just compensation is judicial in nature.

In *Export Processing Zone Authority v. Dulay*,<sup>56</sup> this Court categorically held that the determination of just compensation is a judicial function:

The determination of “just compensation” in eminent domain cases is a judicial function. The executive department or the legislature may make the initial determinations but when a party claims a violation of the guarantee in the Bill of Rights that private property may not be taken for public use without just compensation, no statute, decree, or executive order can mandate that its own determination shall prevail over the court’s findings. Much less can the courts be precluded from looking into the “just-ness” of the decreed compensation.<sup>57</sup>

In *Heirs of Lorenzo and Carmen Vidad*,<sup>58</sup> this Court reaffirmed the

<sup>48</sup> *Machete v. Court of Appeals*, 320 Phil. 227 (1995) [Per J. Bellosillo, First Division].

<sup>49</sup> See *Land Bank of the Philippines v. Suntay*, 678 Phil. 879 (2011) [Per J. Bersamin, First Division] citing *Land Bank v. Suntay*, 561 Phil. 711 (2007) [Per J. Sandoval-Gutierrez, First Division].

<sup>50</sup> *Association of Small Landowners in the Philippines, Inc. v. Secretary of Agrarian Reform*, 256 Phil. 777, 812 (1989) [Per J. Cruz, En Banc].

<sup>51</sup> *Id.*

<sup>52</sup> *Id.*

<sup>53</sup> *Philippine Veterans Bank v. Court of Appeals*, 379 Phil. 141, 149 (2000) [Per J. Mendoza, Second Division].

<sup>54</sup> *Id.*

<sup>55</sup> *Id.*

<sup>56</sup> 233 Phil. 313 (1987) [Per J. Gutierrez, Jr., En Banc].

<sup>57</sup> *Id.* at 326.

<sup>58</sup> 634 Phil. 9 (2010) [Per J. Carpio, Second Division].

judicial determination of just compensation:

LBP's valuation of lands covered by the CARP Law is considered only as an initial determination, which is not conclusive, as it is the RTC, sitting as a SAC, that could make the final determination of just compensation, taking into consideration the factors enumerated in Section 17 of RA 6657 and the applicable DAR regulations. LBP's valuation has to be substantiated during an appropriate hearing before it could be considered sufficient in accordance with Section 17 of RA 6657 and the DAR regulations.<sup>59</sup> (Citation omitted)

Moreover, in *Land Bank of the Philippines v. Montalvan*,<sup>60</sup> this Court ruled on the finality of the Special Agrarian Court's jurisdiction as provided for under Section 57 of Republic Act No. 6657:

It is clear from Sec. 57 that the RTC, sitting as a Special Agrarian Court, has "original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners." This "original and exclusive" jurisdiction of the RTC would be undermined if the DAR would vest in administrative officials (*sic*) original jurisdiction in compensation cases and make the RTC an appellate court for the review of administrative decisions. Thus, although the new rules speak of directly appealing the decision of adjudicators to the RTCs sitting as Special Agrarian Courts, it is clear from Sec. 57 that the original and exclusive jurisdiction to determine such cases is in the RTCs. Any effort to transfer such jurisdiction to the adjudicators and to convert the original jurisdiction of the RTCs into appellate jurisdiction would be contrary to Sec. 57 and therefore would be void.<sup>61</sup> (Emphasis omitted)

A statute's provisions should be read in its entirety.<sup>62</sup> Section 57 of the Comprehensive Agrarian Reform Law, on the exclusive and original jurisdiction of special agrarian courts, must be read with Section 16(f), which provides that:

SECTION 16. Procedure for Acquisition of Private Lands. — For purposes of acquisition of private lands, the following procedures shall be followed:

- (a) After having identified the land, the landowners and the beneficiaries, the DAR shall send its notice to acquire the land to the owners thereof, by personal delivery or registered mail, and post the same in a conspicuous place in the municipal building and barangay hall of the place where the property is located. Said notice shall contain the offer of the DAR to pay a corresponding value in accordance with the valuation set forth in Sections 17, 18, and other pertinent provisions hereof.

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<sup>59</sup> Id. at 38.

<sup>60</sup> 689 Phil. 641 (2012) [Per J. Sereno, Second Division].

<sup>61</sup> Id. at 652.

<sup>62</sup> See *Civil Service Commission v. Joson, Jr.*, 473 Phil. 844 (2004) [Per J. Callejo, Sr., En Banc].

- (b) Within thirty (30) days from the date of receipt of written notice by personal delivery or registered mail, the landowner, his administrator or representative shall inform the DAR of his acceptance or rejection of the offer.
- (c) If the landowner accepts the offer of the DAR, the Land Bank of the Philippines (LBP) shall pay the landowner the purchase price of the land within thirty (30) days after he executes and delivers a deed of transfer in favor of the government and surrenders the Certificate of Title and other monuments of title.
- (d) In case of rejection or failure to reply, the DAR shall conduct summary administrative proceedings to determine the compensation for the land by requiring the landowner, the LBP and other interested parties to submit evidence as to the just compensation for the land, within fifteen (15) days from the receipt of the notice. After the expiration of the above period, the matter is deemed submitted for decision. The DAR shall decide the case within thirty (30) days after it is submitted for decision.
- (e) Upon receipt by the landowner of the corresponding payment or, in case of rejection or no response from the landowner, upon the deposit with an accessible bank designated by the DAR of the compensation in cash or in LBP bonds in accordance with this Act, the DAR shall take immediate possession of the land and shall request the proper Register of Deeds to issue a Transfer Certificate of Title (TCT) in the name of the Republic of the Philippines. The DAR shall thereafter proceed with the redistribution of the land to the qualified beneficiaries.
- (f) *Any party who disagrees with the decision may bring the matter to the court of proper jurisdiction for final determination of just compensation. (Emphasis supplied)*

The use of the word “*final*” makes the intent of the law clear. Special agrarian courts are not merely given appellate jurisdiction over the findings of administrative agencies. The law has explicitly vested them with jurisdiction to make a final and binding determination of just compensation.<sup>63</sup>

The previous Section 17<sup>64</sup> of Republic Act No. 6657 identifies the factors to be considered for the determination of just compensation:

SECTION 17. Determination of Just Compensation. — In determining just compensation, the cost of acquisition of the land, *the current value of like properties, its nature, actual use and income, the*

<sup>63</sup> See *Land Bank of the Philippines v. Yatco Agricultural Enterprises*, 724 Phil. 276 (2014) [Per J. Brion, Second Division].

<sup>64</sup> Section 17 has since been amended by Republic Act No. 9700.

*sworn valuation by the owner, the tax declarations, and the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property as well as the non-payment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation. (Emphasis supplied)*

To implement Section 17, Administrative Order No. 5<sup>65</sup> provided the following formula:

There shall be one basic formula for the valuation of lands covered by VOS<sup>66</sup> or CA.<sup>67</sup>

$$LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$$

Where:           LV    = Land Value  
                       CNI   = Capitalized Net Income  
                       CS    = Comparable Sales  
                       MV    = Market Value per Tax  
   Declaration

*The above formula shall be used if all the three factors are present, relevant, and applicable.*

A.1 When the CS factor is not present and CNI and MV are applicable, the formula shall be:

$$LV = (CNI \times 0.9) + (MV \times 0.1)$$

A.2 When the CNI factor is not present, and CS and MV are applicable, the formula shall be:

$$LV = (CS \times 0.9) + (MV \times 0.1)$$

A.3 When both the CS and CNI are not present and only MV is applicable, the formula shall be:

$$LV = MV \times 2$$

In no case shall the value of idle land using the formula  $MV \times 2$  exceed the lowest value of land within the same estate under consideration or within the same *barangay* or municipality (in that order) approved by LBP within one (1) year from receipt of claimfolder.

A.4 When the land planted to permanent crops is not yet productive or not yet fruit-bearing at the time of Field Investigation (FI), the land value shall be equivalent to the value of the land plus the cumulative development cost (CDC) of the crop from land preparation up to the time of FI. In equation form:

$$LV = (MV \times 2) + CDC$$

<sup>65</sup> Revised Rules and Regulations Governing the Valuation of Lands Voluntarily Offered or Compulsorily Acquired Pursuant to Republic Act No. 6657.

<sup>66</sup> Voluntary Offer to Sell.

<sup>67</sup> Compulsory Acquisition.

where:

1. MV to be used shall be the applicable UMV classification of idle land.
2. CDC shall be grossed-up from the date of FI up to the date of LBP Claim Folder (CF) receipt for processing but in no case shall the grossed-up CDC exceed the current CDC data based on industry.

In case the CDC data provided by the landowner could not be verified, DAR and LBP shall secure the said data from concerned agency/ies or, in the absence thereof, shall establish the same.

In no case, however, shall the resulting land value exceed the value of productive land similar in terms of crop and plant density within the estate under consideration or within the same *barangay* or municipality (in that order) approved by LBP within one (1) year from receipt of CF.

In case where CS is relevant or applicable, the land value shall be computed in accordance with Item II.A.2 where MV shall be based on the lowest productivity classification of the land.

A.5 When the land is planted to permanent crops introduced by the farmer-beneficiaries (FBs) which are not yet productive or not yet fruit-bearing, the land value shall be computed by using the applicable UMV classification of idle land. In equation form:

$$LV = MV \times 2$$

In no case, however, shall the resulting land value exceed the value of productive land similar in terms of crop and plant density within the estate under consideration or within the same *barangay* or municipality (in that order) approved by LBP within one (1) year from receipt of CF.

In case where CS is relevant or applicable, the land value shall be computed in accordance with Item II.A.2 where MV shall be based on the applicable classification of idle land.

A.6 The value of lands planted to permanent crops which are no longer productive or ready for cutting shall be determined by using the applicable UMV classification of idle land plus the salvage value of the standing trees at the time of the FI. In equation form:

$$LV = (MV \times 2) + \text{Salvage Value}$$

In no case, however, shall the resulting land value exceed the value of productive land similar in terms of crop and plant density within the estate under consideration or within the same *barangay* or municipality (in that order) approved by LBP within one (1) year from receipt of CF.

In case where CS is relevant or applicable, the land value shall be computed in accordance with Item II.A.2 where MV shall be based on the lowest productivity classification of the land.

A.7 In all of the above, the computed value using the applicable

formula shall in no case exceed the LO's offer in case of VOS.

The LO's offer shall be grossed up from the date of the offer up to the date of receipt of CF by LBP from DAR for processing.

A.8 For purposes of this Administrative Order, the date of receipt of CF by LBP from DAR shall mean the date when the CF is determined by the LBP-LVLCO to be complete with all the required documents and valuation inputs duly verified and validated, and ready for final computation/processing.

Should LBP need any of the documents listed under Paragraph C, Annex B of DAR Administrative Order No. 1, Series of 1993, as amended by DAR Administrative Order No. 2, Series of 1996, to facilitate processing under Paragraph IV, Step 14 to 17, of the same Order, the DAR shall assist the LBP in securing the same.

A.9 The basic formula in the grossing-up of valuation inputs such as LO's Offer, Sales Transaction (ST), Acquisition Cost (AC), Market Value Based on Mortgage (MVM) and Market Value per Tax Declaration (MV) shall be:

$$\text{Grossed-up Valuation Input} = \text{Valuation Input} \times \frac{\text{Regional Consumer Price Index (RCPI) Adjustment Factor}}{\text{RCPI Adjustment Factor}}$$

The RCPI Adjustment Factor shall refer to the ratio of the most recent available RCPI for the month issued by the National Statistics Office as of the date when the CF was received by LBP from DAR for processing and the RCPI for the month as of the date/effectivity/registration of the valuation input. Expressed in equation form:

$$\text{RCPI Adjustment Factor} = \frac{\text{Most Recent RCPI for the Month as of the Date of Receipt of CF by LBP from DAR}}{\text{RCPI for the Month Issued as of the Date/Effectivity/Registration of the Valuation Input}}$$

B. Capitalized Net Income (CNI) — This shall refer to the difference between the gross sales (AGP x SP) and total cost of operations (CO) capitalized at 12%.

Expressed in equation form:

$$\text{CNI} = \frac{(\text{AGP} \times \text{SP}) - \text{CO}}{0.12}$$

Where:

CNI = Capitalized Net Income

AGP = Annual Gross Production corresponding to the





latest available 12-months' gross production immediately preceding the date of FI.

SP = The average of the latest available 12-months' selling prices prior to the date of receipt of the CF by LBP for processing, such prices to be secured from the Department of Agriculture (DA) and other appropriate regulatory bodies or, in their absence, from the Bureau of Agricultural Statistics. If possible, SP data shall be gathered for the *barangay* or municipality where the property is located. In the absence thereof, SP may be secured within the province or region.

CO = Cost of Operations  
Whenever the cost of operations could not be obtained or verified, an assumed net income rate (NIR) of 20% shall be used. Landholdings planted to coconut which are productive at the time of FI shall continue to use the assumed NIR of 70% DAR and LBP shall continue to conduct joint industry studies to establish the applicable NIR for each crop covered under CARP.

0.12 = Capitalization Rate<sup>68</sup> (Emphasis supplied)

Administrative Order No. 5 provides a comprehensive formula that considers several factors present in determining just compensation.

However, as this Court held in *Apo Fruits Corporation and Hijo Plantation, Inc. v. The Honorable Court of Appeals and Land Bank of the Philippines*,<sup>69</sup> and *Export Processing Zone Authority*,<sup>70</sup> it is not adequate to merely use the formula in an administrative order of the Department of Agrarian Reform or rely on the determination of a land assessor to show a final determination of the amount of just compensation. Courts are still tasked with considering all factors present, which may be stated in formulas provided by administrative agencies.

In *Land Bank v. Yatco Agricultural Enterprises*,<sup>71</sup> this Court held that when acting within the bounds of the Comprehensive Agrarian Reform Law, special agrarian courts "are not strictly bound to apply the [Department of Agrarian Reform] formula to its minute detail, particularly when faced with situations that do not warrant the formula's strict application; they may, in the exercise of their discretion, relax the formula's application to fit the factual situations before them."<sup>72</sup>

<sup>68</sup> DAR Admin. Order No. 05-98 (1998), Part II.

<sup>69</sup> 543 Phil. 497 (2007) [Per J. Chico-Nazario, En Banc].

<sup>70</sup> 233 Phil. 313 (1987) [Per J. Gutierrez, Jr., En Banc].

<sup>71</sup> 724 Phil. 276 (2014) [Per J. Brion, Second Division].

<sup>72</sup> Id. at 287-288.

In *Apo Fruits Corporation v. Land Bank*,<sup>73</sup> this Court held that Section 17 of the Comprehensive Agrarian Reform Law merely provides for guideposts to ascertain the value of properties. Courts are not precluded from considering other factors that may affect the value of property.<sup>74</sup>

While administrative issuances are entitled to great respect, their application must always be in harmony with the law they seek to interpret. In *Land Bank v. Obias*:<sup>75</sup>

[A]dministrative issuances or orders, though they enjoy the presumption of legalities, are still subject to the interpretation by the Supreme Court pursuant to its power to interpret the law. *While rules and regulation[s] issued by the administrative bodies have the force and effect of law and are entitled to great respect, courts interpret administrative regulations in harmony with the law that authorized them and avoid as much as possible any construction that would annul them as invalid exercise of legislative power.*<sup>76</sup> (Emphasis supplied, citation omitted)

Thus, while the formula prescribed by the Department of Agrarian Reform requires due consideration, the determination of just compensation shall still be subject to the final decision of the special agrarian court. Most recently, in *Alfonso v. Land Bank*:<sup>77</sup>

For the guidance of the bench, the bar, and the public, we reiterate the rule: Out of regard for the DAR's expertise as the concerned implementing agency, courts should henceforth consider the factors stated in Section 17 of RA 6657, as amended, as translated into the applicable DAR formulas in their determination of just compensation for the properties covered by the said law. If, in the exercise of their judicial discretion, courts find that a strict application of said formulas is not warranted under the specific circumstances of the case before them, they may deviate or depart therefrom, provided that this departure or deviation is supported by a reasoned explanation grounded on the evidence on record. In other words, courts of law possess the power to make a final determination of just compensation.<sup>78</sup> (Citation omitted)

The special agrarian court sitting in a condemnation action may adopt the value computed using the guidelines promulgated by the Department of Agrarian Reform. In its exercise of original jurisdiction, the special agrarian court may deviate from the formulas if it can show that the value is not equivalent to the fair market value at the time of the taking. However, an

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<sup>73</sup> 647 Phil. 251 (2010) [Per J. Brion, En Banc].

<sup>74</sup> Id.

<sup>75</sup> 684 Phil. 296 (2012) [Per J. Perez, Second Division].

<sup>76</sup> Id. at 302.

<sup>77</sup> 801 Phil. 217 (2016) [Per J. Jardeleza, En Banc].

<sup>78</sup> Id. at 321–322.

allegation is not enough. The landowner must allege and prove why the formula provided by the Department of Agrarian Reform does not suffice.

Nonetheless, having original and exclusive jurisdiction does not mean that our courts should be removed from the realities that confront the entire government bureaucracy and, in so doing, become impervious to the guidelines issued by our administrative agencies.

In *Land Bank v. Palmares*,<sup>79</sup> this Court affirmed the validity of the basic formula developed by the Department of Agrarian Reform. There, the respondents voluntarily offered their 19.98-hectare agricultural land for sale to the government under the agrarian reform program. The Department of Agrarian Reform offered ₱440,355.92 as just compensation, which the respondents rejected. Thus, the Department of Agrarian Reform Adjudication Board commenced summary proceedings to determine just compensation. It resolved to adopt the Land Bank's valuation, which prompted the respondents to file a petition to determine just compensation before the Regional Trial Court of Iloilo City, sitting as the Special Agrarian Court.

After the trial court had ordered a re-computation, Land Bank arrived at the amount of ₱503,148.97. With the respondents still rejecting the amount, the trial court made its own computation of just compensation by averaging the price of the land per hectare, as computed based on the Department of Agrarian Reform guidelines and the market value of the land per hectare as shown in the 1997 tax declaration covering the property. It arrived at the amount of ₱669,962.53, which would later be upheld by the Court of Appeals.

However, this Court reversed the judgments, finding that the trial court's computation was against the mandate of the law. It first discussed Section 17 of the Comprehensive Agrarian Reform Law, which enumerated the factors for determining just compensation.<sup>80</sup> It then declared that the Department of Agrarian Reform, in accordance with its rule-making power, translated these factors into a basic formula:

$$LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$$

<sup>79</sup> 711 Phil. 336 (2013) [Per J. Perlas-Bernabe, Second Division].

<sup>80</sup> Rep. Act No. 6657 (1988), sec. 17 originally provided:

SECTION 17. Determination of Just Compensation. — In determining just compensation, the cost of acquisition of the land, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, and the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property as well as the non-payment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

This provision has since been amended by Republic Act No. 9700.

Where:      LV    =    Land Value  
                  CNI   =    Capitalized Net Income  
                  CS    =    Comparable Sales  
                  MV   =    Market Value per Tax Declaration<sup>81</sup>

Still in *Palmares*, this Court found that the Land Bank had already factored in the property's market value as appearing in the 1995 tax declaration in computing the value of just compensation. By averaging the price of the land, as computed based on the Department guidelines, and the land's market value as appearing in the 1997 tax declaration, the special agrarian court did a "double take up" of the market value per tax declaration of the property. Such double take up, this Court held, destroyed the affordability of the land to the farmer-beneficiaries. In the end, the case was ordered remanded to the trial court for a re-computation of the just compensation, per Section 17 and the Department of Agrarian Reform's applicable administrative orders.

The validity of the Department of Agrarian Reform's basic formula in determining just compensation was affirmed in *Land Bank v. Hababag, Sr.*<sup>82</sup> There, this Court affirmed the Court of Appeals' computation for adhering to the basic formula. It set aside the special agrarian court's computation for having been arrived at using the income productivity approach, which it found to be "off-tangent with the governmental purpose behind the acquisition of agricultural lands."<sup>83</sup> This Court explained:

[C]ase law states that agricultural lands are not acquired for investment purposes but for redistribution to landless farmers in order to lift their economic status by enabling them to own directly or collectively the lands they till or to receive a just share of the fruits thereof. In this regard, farmer-beneficiaries are not given those lands so they can live there but so that they can till them. Since they generally live on a hand-to-mouth existence, their source of repaying the just compensation is but derived out of their income from their cultivation of the land. Hence, in order to be just, the compensation for the land must be what the farmer-beneficiaries can reasonably afford to pay based on what the land can produce. It would therefore be highly inequitable that in the 30-year allowable period to pay the annual amortizations for the lands, farmer-beneficiaries would be required to pay for the same income they expect to earn therefrom on top of the computed market value of the landholdings. Such could not have been the intent of the State's agrarian reform program. In fine, the Court cannot sustain the RTC's application of the Income Productivity Approach used as one of its bases in arriving at its decreed valuation. Not only is the same aversive to the jurisprudential concept of "market value," but it also deviates from the factors laid down in Section 17 of RA 6657 and thus, remains legally baseless and unfounded.<sup>84</sup> (Citations omitted)

<sup>81</sup> DAR Administrative Order No. 5 (1998).

<sup>82</sup> 769 Phil. 687 (2015) [Per J. Perlas-Bernabe, First Division].

<sup>83</sup> Id. at 701.

<sup>84</sup> Id. at 701–703.

Here, the Special Agrarian Court found that a slight deviation was in order. It held that there were other factors present that must also be taken into account, deeming petitioner's valuation to be "unrealistically low":

[T]he Court finds the total valuation by the LBP and the DAR in the amount of P739,461.43 to be unrealistically low and therefore is not the just compensation of the subject lot. On the other hand, the valuation of the petitioners is likewise cumbersomely high for the government and the farmer-beneficiaries considering that the valuation of P300,000.00 per hectare they initially asked in 1998 were based only on assumptions of facts unsupported by credible evidence. This offer of P300,000.00 was reiterated by Mr. Gustilo during the hearing and clearly, this offer is based on his own declarations but this was not adequately substantiated and therefore inconclusive. Thus, the Court in the exercise of its judicial prerogatives, must consider the needs of both parties and should be guided by several factors in order to arrive at a just compensation which is fair, reasonable and acceptable to the parties.<sup>85</sup>

The Special Agrarian Court proceeded to compute just compensation according to the factors in Administrative Order No. 5 and the market value of the property as shown in the tax declarations:

*Thus, in determining just compensation, the Court will take into consideration the factors, like the price set by the plaintiffs when they first offered the subject land for voluntary acquisition (P300,000.00 per hectare; Date of Offer – January 30, 1995) and those provided under Section 17 of R.A. 6657, to wit: a) the cost of acquisition of the land; b) the current value of like properties; c) the sworn valuation by the owner; d) the tax declarations and assessments; e) the assessments made by government assessors; f) the social and economic benefits contributed by the farmers and the farm workers and by the government to the property; and g) the non-payment of taxes or loans secure from any government financing institution on the said land.*

The petitioners herein presented the four (4) Tax Declarations for 1996 of the subject lots wherein the assessor fixed the market value per hectare of the bamboo land at P45,200.00 (total area – 0.5000 Has.); for rice land irrigated at P60,830.00 (total area – 1.5716 hectares); for coconut land at P45,000.00 (total area – 0.2000 hectares); and for sugar land at P122,000.00 (total area – 8.2318 hectares) or a total market value of P1,131,479.60.

Although the market value appearing in the tax declaration is usually lower than the actual value of the property, the court will consider the said amount since no evidence was presented by the plaintiffs to prove a higher amount.

In evaluating the subject lot in the case at bar, the Court will take into account the amount of P31,789.80 per hectare of bamboo land

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<sup>85</sup> Rollo, p. 74.

consisting of 0.4855 hectares; P59,871.97 per hectare of rice unirrigated consisting of 8.9920 hectare[s]; and P59,502.19 per hectare of rice unirrigated consisting of 3.1202 hectares, *which was arrived at using the mathematical formula provided under DAR Administrative Order No. 5, Series of 1998 and the market value of the property as shown in the tax declarations* which are as follows: for bamboo land consisting of 0.5000 hectares, the market value is P22,600.00; for coconut land consisting of 0.2000 hectares, the market value is P9,000.00; for rice irrigated consisting of 1.5716 hectares, the market value is P95,600.00 per hectare; and for sugar land consisting of 8.2318 hectares, the market value is P1,004,279.60 or a total market value of P1,131,479.60. *The average of these amounts will be considered the just compensation of the subject lot. Such method of valuation is intended to take into account all the factors previously discussed.* Therefore, the average of these two figures will result in the following valuation per hectare:

	Per Hectare	Area Actually Taken	Value
Bambooland	₱38,494.50	0.4855 Has.	P18,689.08
Rice unirrigated	₱90,935.96	8.9920 Has.	817,696.15
Rice unirrigated	₱60,166.10	<u>3.1202 Has.</u> [12.5977] has.	<u>187,730.26</u> P1,024,118.49

From the foregoing computations, this Court finds and so hold (*sic*) that the just compensation or land value of the subject lot located at Brgy. Maquina, Dumangas, Iloilo covered by TCT Nos. T-62209, T-62210, T-62212 and T-51376 and registered in the name of Lucy Grace Franco married to Jose Mandoriao, Jr. and Elma Gloria Franco is P1,024,115.40 for the 12.5977 hectares actually taken by the government and transferred in favor of the qualified farmer-beneficiaries.<sup>86</sup> (Emphasis supplied)

As this Court held in *Alfonso v. Land Bank*, any deviation to the basic formula made in the exercise of judicial discretion must be “supported by a reasoned explanation grounded on the evidence on record.”<sup>87</sup> A computation by a court made in “utter and blatant disregard of the factors spelled out by law and by the implementing rules”<sup>88</sup> amounts to grave abuse of discretion. It must be struck down.

Here, the Special Agrarian Court’s computation of just compensation resulted in a “double take up” of the market value per tax declaration of the property. This method of valuation has already been considered in *Palmares* as a departure from the mandate of law and basic administrative guidelines.

<sup>86</sup> Id. at.75–76.

<sup>87</sup> Id. at 322.

<sup>88</sup> *Land Bank of the Philippines v. Yatco Agricultural Enterprises*, 724 Phil. 276, 288 (2014) [Per J. Brion, Second Division].

## II

The five percent (5%) cash incentive under Section 19, in relation to Section 18 of the Comprehensive Agrarian Reform Law, is *not* in addition to the amount of just compensation awarded by the courts. The incentive only applies to the *cash* payment to be awarded.

Section 19 provides:

SECTION 19. Incentives for Voluntary Offers for Sale. — Landowners, other than banks and other financial institutions, who voluntarily offer their lands for sale shall be entitled to an additional five percent (5%) *cash payment*. (Emphasis supplied)

It is elementary that a statutory provision must be construed in relation to other parts of the statute.<sup>89</sup> Thus, Section 19 should be read in connection with Section 18, which provides:

SECTION 18. Valuation and Mode of Compensation. — The LBP shall compensate the landowner in such amounts as may be agreed upon by the landowner and the DAR and the LBP, in accordance with the criteria provided for in Sections 16 and 17 and other pertinent provisions hereof, or as may be finally determined by the court, as the just compensation for the land.

The compensation shall be paid in one of the following modes, at the option of the landowner:

(1) *Cash payment*, under the following terms and conditions;

- |   |   |   |
|---|---|---|
| a) For lands above fifty (50) hectares, insofar as the excess hectarage is concerned. | — | Twenty-five percent fifty (50) hectares, insofar (25%) cash, the balance to be paid in government financial instruments negotiable at any time. |
| (a) For lands above twenty-four (24) hectares and up to fifty (50) hectares.          | — | Thirty percent (30%) cash, the balance to be paid in government financial instruments negotiable at any time.                                   |
| (c) For lands twenty-four (24) hectares and below.                                    | — | Thirty-five percent (35%) cash, the balance to be paid in government financial instruments negotiable at any time.                              |

<sup>89</sup> See *Civil Service Commission v. Joson, Jr.*, 473 Phil. 844 (2004) [Per J. Callejo, Sr., En Banc].

- (2) Shares of stock in government-owned or controlled corporations, LBP preferred shares, physical assets or other qualified investments in accordance with guidelines set by the PARC;
- (3) Tax credits which can be used against any tax liability;
- (4) *LBP bonds*, which shall have the following features:
  - (a) Market interest rates aligned with 91-day treasury bill rates. Ten percent (10%) of the face value of the bonds shall mature every year from the date of issuance until the tenth (10th) year: Provided, That should the landowner choose to forego the cash portion, whether in full or in part, he shall be paid correspondingly in LBP bonds;
  - (b) Transferability and negotiability. Such LBP bonds may be used by the landowner, his successors in interest or his assigns, up to the amount of their face value, for any of the following:
    - (i) Acquisition of land or other real properties of the government, including assets under the Asset Privatization Program and other assets foreclosed by government financial institutions in the same province or region where the lands for which the bonds were paid are situated;
    - (ii) Acquisition of shares of stock of government-owned or controlled corporations or shares of stocks owned by the government in private corporations;
    - (iii) Substitution for surety or bail bonds for the provisional release of accused persons, or performance bonds;
    - (iv) Security for loans with any government financial institution, provided the proceeds of the loans shall be invested in an economic enterprise, preferably in a small- and medium-scale industry, in the same province or region as the land for which the bonds are paid;
    - (v) Payment for various taxes and fees to government; *Provided*, That the use of these bonds for these purposes will be limited to a certain percentage of the outstanding balance of the financial instruments: Provided, further, That the PARC shall determine the percentage mentioned above;
    - (vi) Payment for tuition fees of the immediate family of the original bondholder in government universities, colleges, trade schools, and other institutions;
    - (vii) Payment for fees of the immediate family of the original bondholder in government hospitals; and
    - (viii) Such other uses as the PARC may from time to time allow.

In case of extraordinary inflation, the PARC shall take appropriate measures to protect the economy. (Emphasis supplied)





Meanwhile, Article XIII, Section 8 of the Constitution provides:

SECTION 8. The State shall provide incentives to landowners to invest the proceeds of the agrarian reform program to promote industrialization, employment creation, and privatization of public sector enterprises. Financial instruments used as payment for their lands shall be honored as equity in enterprises of their choice.

Aside from cash payment, the Comprehensive Agrarian Reform Law provides for three (3) more modes of payment. Section 19 must be interpreted to mean that while the additional five percent (5%) cash payment is an incentive to owners-sellers to expedite the agrarian reform program, the incentive given to these land owners should not be to the detriment of the government.

If, as respondents have argued, the additional five percent (5%) is indeed to be paid on top of the awarded just compensation for the property, then the law would not have put “cash” before “payment” in Section 19, in turn modifying the kind of payment to be given to the owners-sellers.

The landowner shall receive 35% of the just compensation in cash, while the remaining 65% shall be paid in bonds if the aggregate area acquired by the Department of Agrarian Reform is below 24 hectares. However, if the landowner voluntarily offers their land to the Department of Agrarian Reform, as in this case, the landowner shall be entitled to an additional five percent (5%) only on the cash portion. Therefore, instead of receiving only 35% in cash, the landowner shall now receive 40% in cash and 60% in bonds.


**WHEREFORE**, the Petition is **GRANTED**. The Court of Appeals January 20, 2011 Decision and August 8, 2012 Resolution in CA-G.R. SP. No. 03225, which affirmed with modification the September 18, 2007 Decision of the Regional Trial Court, Branch 34, Iloilo City, sitting as Special Agrarian Court in Civil Case No. 00-26367, are **REVERSED AND SET ASIDE**.

The just compensation to be paid to respondents Lucy Grace Franco and Elma Gloria Franco is Seven Hundred Thirty-Nine Thousand Four Hundred Sixty-One Pesos and Forty-Three Centavos (₱739,461.43), as computed by petitioner Land Bank of the Philippines and the Department of Agrarian Reform with legal interest of twelve percent (12%) from the time of taking until June 30, 2013, and legal interest of six percent (6%) from



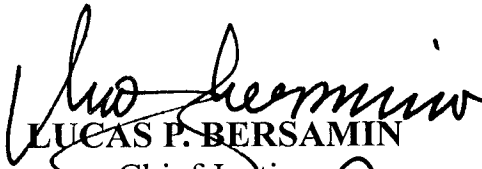
July 1, 2013 until its full satisfaction.<sup>90</sup>

**SO ORDERED.**




**MARVIC M.V.F. LEONEN**  
Associate Justice

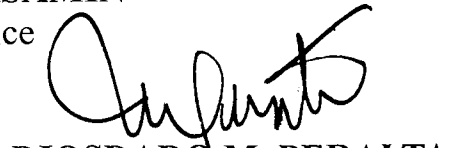
WE CONCUR:




**LUCAS P. BERSAMIN**  
Chief Justice



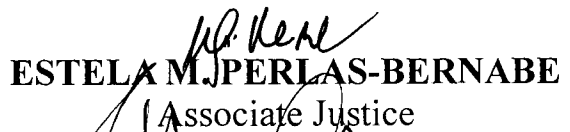
**ANTONIO T. CARPIO**  
Associate Justice




**DIOSDADO M. PERALTA**  
Associate Justice



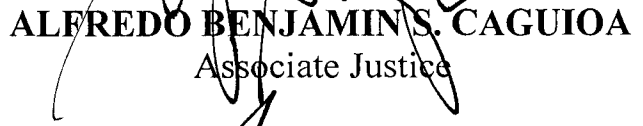
**MARIANO C. DEL CASTILLO**  
Associate Justice



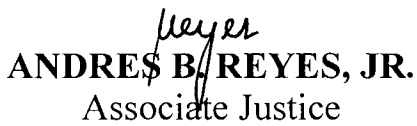
**ESTELA M. PERLAS-BERNABE**  
Associate Justice



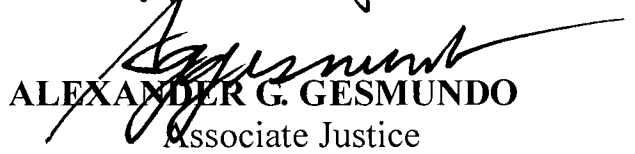
**FRANCIS H. JARDELEZA**  
Associate Justice



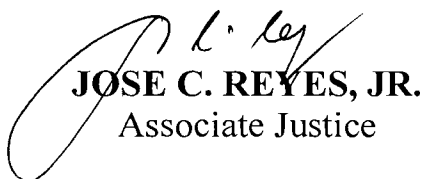
**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice



**ANDRES B. REYES, JR.**  
Associate Justice



**ALEXANDER G. GESMUNDO**  
Associate Justice




**JOSE C. REYES, JR.**  
Associate Justice



**RAMON PAUL L. HERNANDO**  
Associate Justice



**ROSMARI D. CARANDANG**  
Associate Justice




**AMY C. LAZARO-JAVIER**  
Associate Justice

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<sup>90</sup> *Nacar v. Gallery Frames*, 716 Phil. 267 (2013) [Per J. Peralta, En Banc].

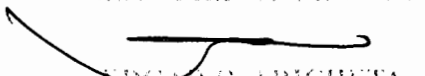
**CERTIFICATION**

I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the court.



**LUCAS P. BERSAMIN**  
Chief Justice

CERTIFIED TRUE COPY



**EDGAR O. ARICHETA**  
Chief of Court File Banc  
Supreme Court