



Republic of the Philippines  
Supreme Court  
Manila

SUPREME COURT OF THE PHILIPPINES  
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FIRST DIVISION

REPUBLIC OF THE PHILIPPINES, represented by the DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS (DPWH),

Petitioner,

- versus -

G.R. No. 211576

Present:

PERALTA, C.J., Chairperson,  
CAGUIOA,  
J. REYES, JR.,  
LAZARO-JAVIER, and  
LOPEZ, JJ.

Promulgated:

FEB 19 2020 *metubal*

JULIANA SAN MIGUEL VDA. DE RAMOS, SPOUSES GREGORIA RAMOS AND ALEJANDRO SANCHEZ, VICTORINO DE LEON, JOSEFINA DE LEON, DIONISIO DE LEON, FELICITAS DE LEON, PATROCINIA DE LEON, SPS. ANA MARIA C. DE LEON AND JAIME DE GUZMAN, SPS. EUGENIA DE LEON AND OSCAR MAGALANG, and SPS. CONDRADO DE LEON AND BENITA CORPUZ,

Respondents.

X-----X

DECISION

CAGUIOA, J.:

Before the Court is a Petition for Review on *Certiorari*<sup>1</sup> (Petition) under Rule 45 of the Rules of Court filed by petitioner Republic of the Philippines (petitioner Republic), represented by the Department of Public Works and Highways (DPWH), through the Office of the Solicitor General (OSG),

<sup>1</sup> Rollo, pp. 7-26.

against respondents Juliana San Miguel Vda. De Ramos, Sps. Gregoria Ramos and Alejandro Sanchez, Josefina De Leon, Dionisio De Leon, Felicitas De Leon, Victorino De Leon, Patrocinia De Leon, Sps. Ana Maria C. De Leon and Jaime De Guzman, Sps. Eugenia De Leon and Oscar Magalang, and Sps. Condrado De Leon and Benita Corpuz (collectively, the respondents), assailing the Decision<sup>2</sup> dated December 5, 2013 (assailed Decision) and Order<sup>3</sup> dated February 28, 2014 (assailed Order) rendered by the Regional Trial Court of Valenzuela City, Branch 270 (RTC) in Civil Case No. 161-V-10.

### The Essential Facts and Antecedent Proceedings

As culled from the recital of facts in the assailed Decision, the essential facts and antecedent proceedings are as follows:

In relation to the construction of the North Luzon Expressway (NLEX) – Harbor Link Project (Segment 9) from NLEX to MacArthur Highway, Valenzuela City, petitioner Republic, as represented by the DPWH, sought to acquire the respondents' private property located at Brgy. Gen. T. De Leon, Valenzuela City (subject property). The subject property is covered by Transfer Certificate of Title (TCT) No. V-11191 (subject TCT) registered under the names of the respondents.

As indicated in the assailed Decision, the subject property is described as follows:

TCT No.	Affected Area	Zonal Value per square meter (sq. m.)	Zonal Value
V-11191	218 sq. m.	₱2,100.00	₱457,800.00 <sup>4</sup>

Petitioner Republic offered to purchase the subject property for an amount based on the Schedule of Zonal Valuation issued by the Bureau of Internal Revenue (BIR), *i.e.*, ₱2,100.00 per square meter or ₱457,800.00. The offer was rejected by the respondents.

Hence, on October 20, 2010, petitioner Republic filed an action for expropriation (Expropriation Complaint) before the RTC to expropriate the subject property by virtue of Republic Act No. (RA) 8974.<sup>5</sup>

Afterwards, petitioner Republic paid a deposit representing the 100% zonal value of the subject property to the respondents. The respondents duly

<sup>2</sup> Id. at 31-40. Penned by Presiding Judge Evangeline M. Francisco.

<sup>3</sup> Id. at 29-30.

<sup>4</sup> Id. at 32.

<sup>5</sup> AN ACT TO FACILITATE THE ACQUISITION OF RIGHT-OF-WAY, SITE OR LOCATION FOR NATIONAL GOVERNMENT INFRASTRUCTURE PROJECTS AND FOR OTHER PURPOSES, November 7, 2000.

acknowledged the receipt of the said deposit.<sup>6</sup> Subsequently, in an Order<sup>7</sup> dated March 16, 2011, the RTC issued a Writ of Possession in favor of petitioner Republic.

Finding that petitioner Republic has a lawful right to take the subject property, on March 17, 2011, the RTC issued an Order of Expropriation.<sup>8</sup>

Pursuant to Section 5, Rule 67 of the Rules of Court, the RTC issued an Order<sup>9</sup> dated March 28, 2011 constituting a Board of Commissioners (BOC).<sup>10</sup>

Owing to the failure of the BOC to submit its Report for a considerable length of time, the RTC, in an Order<sup>11</sup> dated July 22, 2011, revoked the appointment of the members of the BOC and directed the parties to submit their respective position papers, attaching thereto all the supporting documents.

On September 5, 2011, petitioner Republic filed its Position Paper.<sup>12</sup> During the course of the hearing, petitioner Republic presented two witnesses, *i.e.*, Associate Solicitor Romino G. Arzadon and Narciso V. Rico. On October 28, 2011, petitioner Republic filed its Formal Offer of Evidence,<sup>13</sup> which was admitted by the RTC in its Order<sup>14</sup> dated November 11, 2011.

For their part, the respondents filed their Position Paper<sup>15</sup> dated November 11, 2011.

Upon the motion of the respondents' counsel who desired to submit a Memorandum instead of presenting witnesses, the RTC, in an Order<sup>16</sup> dated March 30, 2012, allowed the parties to file their respective Memoranda.

On May 14, 2012, petitioner Republic filed its Memorandum.<sup>17</sup> On the other hand, despite the lapse of a long period of time, the respondents failed to file their Memorandum. Hence, the case was submitted for decision based on the evidence at hand.<sup>18</sup>

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<sup>6</sup> Supra note 4.

<sup>7</sup> Id. at 78.

<sup>8</sup> Id. at 79.

<sup>9</sup> Id. at 80-81.

<sup>10</sup> Comprised of Ms. Eunice O. Josue, Officer-in-Charge/Legal Researcher II of the RTC; Atty. Cecilyne R. Andrade, Acting City Assessor of the City Assessor's Office of Valenzuela City; and Engr. Romeo Selva.

<sup>11</sup> *Rollo*, p. 82.

<sup>12</sup> Id. at 83-98.

<sup>13</sup> Id. at 99-102.

<sup>14</sup> Id. at 106.

<sup>15</sup> Id. at 107-113.

<sup>16</sup> Id. at 124.

<sup>17</sup> Id. at 125-144.

<sup>18</sup> Id. at 33.



### The Ruling of the RTC

In the assailed Decision, the RTC found that “[b]ased on the evidence on records, specifically the current zonal valuation issued by the [BIR], it is clearly established that the amount of [P]2,100.00 per square meter or the total amount of [P]457,800.00 is a just compensation for the subject property with an area of 218 square meters.”<sup>19</sup>

With respect to the respondents’ position, the RTC held that “aside from the asseveration of the [respondents] that the current fair market value of the subject property is [P]7,000.00 per square meter, x x x [the respondents] failed to adduce evidence to support the same.”<sup>20</sup>

Hence, the RTC ruled that “it is but just, fair, and equitable that the just compensation for the [respondents’] property, subject of the instant expropriation, be fixed at [P]2,100.00 per square meter.”<sup>21</sup>

The dispositive portion of the assailed Decision reads:

With the foregoing determination of just compensation, judgment is hereby rendered as follows:

- 1) Declaring plaintiff to have lawful right to acquire possession of and title to 218 square meters of defendants Juliana San Miguel Vda. De Ramos, Sps. Gregoria Ramos and Alejandro Sanchez, Josefina De Leon, Dionisio De Leon, Felicitas De Leon, Victorino De Leon, Patrocinia De Leon, Sps. Ana Maria C. De Leon and Jaime De Guzman, Sps. Eugenia De Leon and Oscar Magalang, and Sps. Condrado De Leon and Benita Corpuz[’s] parcel of land covered by TCT V-11191 necessary for the construction of the NLEX – Harbor Link Project (Segment 9) from NLEX to MacArthur Highway, Valenzuela City;
- 2) Ordering the plaintiff to pay the said defendants the amount of [P]2,100.00 per square meter or the sum of Four Hundred Fifty Seven Thousand Eight Hundred Pesos ([P]457,800.00) for the 218 square meters as fair, equitable and just compensation with legal interest at 12% [*per annum*] from the taking of the possession of the property, subject to the payment of all unpaid real property taxes and other relevant taxes, if there be any;
- 3) Plaintiff is likewise ordered to pay the defendants consequential damages which shall include the value of the transfer tax necessary for the transfer of the subject property from the name of the defendants to that of the

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<sup>19</sup> Id. at 38.

<sup>20</sup> Id.

<sup>21</sup> Id.



plaintiff and attorney's fees in the amount of 10% of defendants' total claim for just compensation but not less than [P]30,000.00;

- 4) The Office of the Register of Deeds of Valenzuela City, Metro Manila is directed to annotate this Decision in Transfer Certificate of Title No. V-11191 registered under the name of defendants Juliana San Miguel Vda. De Ramos, Sps. Gregoria Ramos and Alejandro Sanchez, Josefina De Leon, Dionisio De Leon, Felicitas De Leon, Victorino De Leon, Patrocinia De Leon, Sps. Ana Maria C. De Leon and Jaime De Guzman, Sps. Eugenia De Leon and Oscar Magalang, and Sps. Condrado De Leon and Benita Corpuz.

Let a certified true copy of this decision be recorded in the Registry of Deeds of Valenzuela City.

**SO ORDERED.**<sup>22</sup>

The respondents did not question the RTC's determination of the amount of just compensation. For their part, petitioner Republic filed a Motion for Partial Reconsideration dated January 2, 2014, arguing that the RTC committed an error in imposing interest on the payment of just compensation and imposing consequential damages.

In its Order dated February 28, 2014, the RTC partially granted petitioner Republic's Motion for Partial Reconsideration, decreasing the legal interest from 12% to 6% *per annum*.

The dispositive portion of the aforementioned Order reads:

**WHEREFORE**, premises considered, the Motion for Partial Reconsideration (of the Decision dated 5 December 2013) filed by the plaintiff is hereby granted. Accordingly, the legal interest in the assailed Decision dated November 25, 2013 is reduced from 12% to 6% [*per annum*].

**SO ORDERED.**<sup>23</sup>

Unsatisfied, petitioner Republic filed the instant Petition directly before the Court on pure questions of law under Rule 45 of the Rules of Court.

The respondents filed their Comment<sup>24</sup> dated March 24, 2015, maintaining that they are entitled to legal interest and consequential damages. Petitioner Republic filed its Reply<sup>25</sup> dated October 2, 2015, restating its

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<sup>22</sup> Id. at 38-40.

<sup>23</sup> Id. at 30.

<sup>24</sup> Id. at 208-212.

<sup>25</sup> Id. at 223-229.



position that the RTC erred in imposing legal interest and consequential damages.

### Issues

In the instant Petition, petitioner Republic posits two issues: (1) whether the RTC erred in ruling that the respondents are entitled to legal interest of 6% *per annum* on the amount of just compensation; and (2) whether the RTC erred in requiring petitioner Republic to pay consequential damages.

### The Court's Ruling

The instant Petition is *partly meritorious*.

*The respondents are not entitled to legal interest on the amount of just compensation.*

The Court finds that the RTC erred in ordering petitioner Republic to pay legal interest on the amount of just compensation.

In *Evergreen Manufacturing Corp. v. Republic*,<sup>26</sup> citing *Apo Fruits Corporation v. Land Bank of the Philippines*,<sup>27</sup> the Court explained that “the rationale for imposing interest on just compensation is to compensate the property owners for the income that they would have made if they had been properly compensated — meaning if they had been paid the full amount of just compensation — at the time of taking when they were deprived of their property.”<sup>28</sup>

In the instant case, however, it is not disputed whatsoever that the respondents received the amount determined by the RTC as the just, fair, and equitable compensation for the subject property, *i.e.*, ₱2,100.00 per sq. m. or ₱457,800.00, before petitioner Republic took possession of the subject property. Otherwise stated, there was full and prompt payment of just compensation at the time of taking.

Hence, with the respondents having acknowledged the receipt of the full amount of just compensation even prior to the time of taking, petitioner Republic is not liable for the payment of legal interest. The award of legal interest of 6% *per annum* must be deleted.

*The respondents are not entitled to consequential damages.*

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<sup>26</sup> 817 Phil. 1048 (2017).

<sup>27</sup> 647 Phil. 251 (2010).

<sup>28</sup> *Evergreen Manufacturing Corp. v. Republic*, supra note 26 at 1068.

In the assailed Decision, the RTC deemed it fair and equitable to award consequential damages in favor of the respondents.<sup>29</sup> The consequential damages awarded by the RTC include the value of the transfer taxes necessary to transfer the subject property to the name of petitioner Republic.

Rule 67 of the Rules of Court governs expropriation proceedings. With respect to consequential damages, Section 6 of Rule 67 states:

Section 6. *Proceedings by commissioners.* — Before entering upon the performance of their duties, the commissioners shall take and subscribe an oath that they will faithfully perform their duties as commissioners, which oath shall be filed in court with the other proceedings in the case. Evidence may be introduced by either party before the commissioners who are authorized to administer oaths on hearings before them, and the commissioners shall, unless the parties consent to the contrary, after due notice to the parties to attend, view and examine the property sought to be expropriated and its surroundings, and may measure the same, after which either party may, by himself or counsel, argue the case. **The commissioners shall assess the consequential damages to the property not taken and deduct from such consequential damages the consequential benefits to be derived by the owner from the public use or purpose of the property taken, the operation of its franchise by the corporation or the carrying on of the business of the corporation or person taking the property.** But in no case shall the consequential benefits assessed exceed the consequential damages assessed, or the owner be deprived of the actual value of his property so taken. (Emphasis supplied)

In *Republic v. Soriano*,<sup>30</sup> the Court deemed the award of consequential damages improper because “the subject property is being expropriated in its entirety, there is no remaining portion which may suffer an impairment or decrease in value as a result of the expropriation.”<sup>31</sup> Petitioner Republic chimes in by asserting that the award of consequential damages is inapplicable because “the entire area of respondents’ property was expropriated.”<sup>32</sup>

Petitioner Republic’s position is wrong. Only a portion, and not the entire area, of the respondents’ property was expropriated.

As borne out by a perusal of the subject TCT, which was attached by petitioner Republic to the Expropriation Complaint, the subject property is registered in the name of “JULIANA SAN MIGUEL VDA. DE RAMOS, 121 sq. m; GREGORIA RAMOS m/to Alejandro Sanchez, 56 sq. m.; JOSEFINA DE LEON, DIONISIO DE LEON, FELICITAS DE LEON, VICTORINO DE LEON and PATROCINIA DE LEON, all single (*sic*); and ANAMARIA C. DE LEON m/to Jaime de Guzman and EUGENIA DE LEON m/to Oscar Magalang, Filipinos, & SPS. CON[D]RADO DE LEON & BENITA

<sup>29</sup> *Rollo*, p. 39.

<sup>30</sup> 755 Phil. 187 (2015).

<sup>31</sup> *Id.* at 202.

<sup>32</sup> *Rollo*, p. 19.

CORPUZ, 203 sq. m.”<sup>33</sup> From the foregoing, it is clear that the total area of the subject property is 380 sq. m.

This is confirmed by Tax Declaration No. C-018-06873 covering the subject property, which was likewise attached by petitioner Republic to the Expropriation Complaint. According to the said Tax Declaration, the total area of the subject property is “380.00.”<sup>34</sup>

As readily admitted by petitioner Republic, however, the affected area of the expropriation undertaken was only “218 sq. m.”<sup>35</sup> out of the total area of 380 sq. m. Hence, petitioner Republic’s position that the entire area of the subject property was expropriated is not correct.

Be that as it may, the Court deems the award of consequential damages in favor of the respondents erroneous.

The sheer fact that there is a remaining portion of real property after the expropriation is not enough, by and of itself, to be basis for the award of consequential damages. To be sure, it must still be proven by sufficient evidence that the remaining portion suffers from an impairment or decrease in value.

In *Republic of the Philippines v. Spouses Salvador*,<sup>36</sup> the Court ordered the deletion of the award of consequential damages because of the lack of evidence presented proving any impairment or decrease in value of the remaining lot:

x x x consequential damages are only awarded *if as a result of the expropriation, the remaining property of the owner suffers from an impairment or decrease in value.* In this case, no evidence was submitted to prove any impairment or decrease in value of the subject property as a result of the expropriation.<sup>37</sup>

A careful review of the records of the instant case reveals that the RTC’s award of consequential damages is not supported by any evidence establishing that the remaining 162 sq. m. of the subject property suffered from any impairment or decrease in value. Therefore, the award of consequential damages must be deleted.

While the Court considers the payment of transfer taxes as not forming part of the consequential damages allowed under the Rules of Court, it must be clarified, however, that the courts are not precluded from considering the value

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<sup>33</sup> Id. at 63.

<sup>34</sup> Id. at 67.

<sup>35</sup> Id. at 10.

<sup>36</sup> 810 Phil. 742 (2017).

<sup>37</sup> Id. at 748-749. Italics in the original.





of capital gains tax (CGT) and other transfer taxes in determining the amount of just compensation to be awarded to the affected owner.<sup>38</sup>

As explained by the Court in the recent case of *Republic of the Philippines v. Spouses Bunsay*,<sup>39</sup> Section 5 of RA 8974 sets forth the standards in the determination of just compensation. It states:

Section 5. *Standards for the Assessment of the Value of the Land Subject of Expropriation Proceedings or Negotiated Sale.* — In order to facilitate the determination of just compensation, the court may consider, among other well-established factors, the following relevant standards:

- (a) The classification and use for which the property is suited;
- (b) The developmental costs for improving the land;
- (c) **The value declared by the owners;**
- (d) The current selling price of similar lands in the vicinity;
- (e) The reasonable disturbance compensation for the removal and/or demolition of certain improvements on the land and for the value of improvements thereon;
- (f) The size, shape or location, tax declaration and zonal valuation of the land;
- (g) The price of the land as manifested in the ocular findings, oral as well as documentary evidence presented; and
- (h) **Such facts and events as to enable the affected property owners to have sufficient funds to acquire similarly-situated lands of approximate areas as those required from them by the government, and thereby rehabilitate themselves as early as possible.** (Emphasis supplied)

As further explained by the Court, CGT, being a tax on passive income, is imposed by the National Internal Revenue Code on the seller as a consequence of the latter's presumed income from the sale or exchange of real property. Notably, however, the transfer of real property by way of expropriation is *not* an ordinary sale contemplated under Article 1458<sup>40</sup> of the Civil Code. Rather, it is akin to a "forced sale" or one which arises *not* from the consensual agreement of the vendor and vendee, but by compulsion of law.<sup>41</sup> Unlike in an ordinary sale wherein the vendor sets the selling price, the

<sup>38</sup> *Republic of the Philippines v. Spouses Bunsay*, G.R. No. 205473, December 11, 2019.

<sup>39</sup> *Id.*

<sup>40</sup> Article 1458 states:

Article 1458. By the contract of sale one of the contracting parties obligates himself to transfer the ownership and to deliver a determinate thing, and the other to pay therefor a price certain in money or its equivalent

x x x x

<sup>41</sup> See generally *Hospicio de San Jose de Barili Cebu City v. Department of Agrarian Reform*, 507 Phil. 586 (2005) in reference to expropriation of lands under agrarian reform.

compensation paid to the affected owner in an expropriation proceeding comes in the form of just compensation determined by the court.

In turn, just compensation is defined as the fair and full equivalent of the loss incurred by the affected owner.<sup>42</sup> More specifically:

x x x [J]ust compensation in expropriation cases is defined “as the full and fair equivalent of the property taken from its owner by the expropriator. The Court repeatedly stressed that the true measure is not the taker’s gain but the owner’s loss. **The word ‘just’ is used to modify the meaning of the word ‘compensation’ to convey the idea that the equivalent to be given for the property to be taken shall be real, substantial, full and ample.**”<sup>43</sup> (Emphasis supplied)

The loss incurred by the affected owner necessarily includes all incidental costs to facilitate the transfer of the expropriated property to the expropriating authority, *including* the CGT due on the forced sale and other transfer taxes. These costs must be taken into consideration in determining just compensation in the same way these costs are factored into the selling price of real property in an arm’s length transaction. Notably, the value of the expropriated property, as declared by the affected owner, is one of the factors listed under Section 5 of RA 8974.

Here, the respondents received, as just compensation, an amount equal to the sum of the subject property’s current BIR zonal valuation. Evidently, the value of CGT and transfer taxes due on the transfer of the subject property were *not* factored into the amount paid to the respondents, but instead, separately awarded as consequential damages.

While the award of consequential damages equivalent to the value of CGT and transfer taxes must be struck down for being without legal basis, the Court deems it just and equitable to direct petitioner Republic to shoulder such taxes to preserve the compensation awarded to the respondents as a consequence of the expropriation. To stress, compensation, to be just, it must be of such value as to fully rehabilitate the affected owner; it must be sufficient to make the affected owner *whole*.

**WHEREFORE**, the instant Petition is **GRANTED**. The assailed Decision dated December 5, 2013 rendered by the Regional Trial Court of Valenzuela City, Branch 270 in Civil Case No. 161-V-10 is **MODIFIED** to read as follows:

With the foregoing determination of just compensation, judgment is hereby rendered as follows:

- 1) Declaring plaintiff to have lawful right to acquire possession of and title to 218 square meters of defendants

<sup>42</sup> See *Evergreen Manufacturing Corp. v. Republic*, 517 Phil. 1048, 1058 (2017).

<sup>43</sup> *Id.* at 1058-1059.



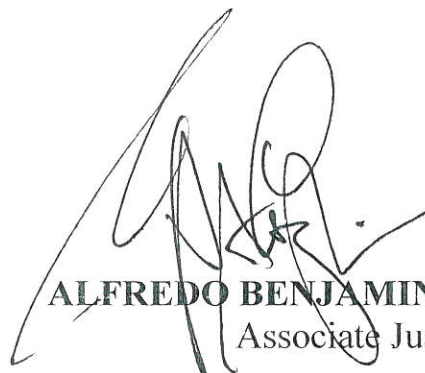
Juliana San Miguel Vda. De Ramos, Sps. Gregoria Ramos and Alejandro Sanchez, Josefina De Leon, Dionisio De Leon, Felicitas De Leon, Victorino De Leon, Patrocinia De Leon, Sps. Ana Maria C. De Leon and Jaime De Guzman, Sps. Eugenia De Leon and Oscar Magalang, and Sps. Conrado De Leon and Benita Corpuz's parcel of land covered by TCT V-11191 necessary for the construction of the NLEX – Harbor Link Project (Segment 9) from NLEX to MacArthur Highway, Valenzuela City;

- 2) Directing plaintiff to shoulder such capital gains and other transfer taxes as well as other costs and fees incident to the transfer of title to the plaintiff as part of the just compensation due the respondents;
- 3) Plaintiff is likewise ordered to pay attorney's fees in the amount of 10% of defendants' total claim for just compensation but not less than ₱30,000.00;
- 4) The Office of the Register of Deeds of Valenzuela City, Metro Manila is directed to annotate this Decision in Transfer Certificate of Title No. V-11191 registered under the name of defendants Juliana San Miguel Vda. De Ramos, Sps. Gregoria Ramos and Alejandro Sanchez, Josefina De Leon, Dionisio De Leon, Felicitas De Leon, Victorino De Leon, Patrocinia De Leon, Sps. Ana Maria C. De Leon and Jaime De Guzman, Sps. Eugenia De Leon and Oscar Magalang, and Sps. Conrado De Leon and Benita Corpuz.

Let a certified true copy of this Decision be recorded in the Registry of Deeds of Valenzuela City.


**SO ORDERED.**

**SO ORDERED.**

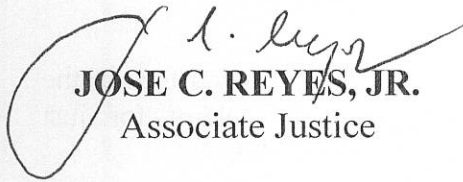


**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

WE CONCUR:



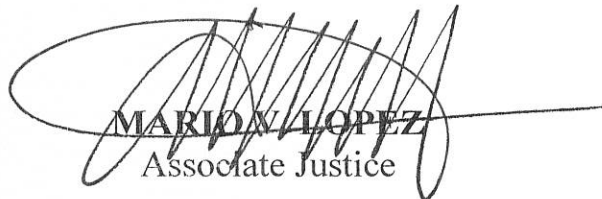
**DIOSDADO M. PERALTA**  
Chief Justice  
Chairperson



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



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



**MARION LOPEZ**  
Associate Justice

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution, 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's Division.



**DIOSDADO M. PERALTA**  
Chief Justice

