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BLGF MEMORANDUM CIRCULAR NO. ~~19~~-2014
April 25, 2014

TO : All Regional Directors, Bureau of Local Government Finance, City and Municipal Assessors within Metro Manila Area, Provincial, City and Municipal Assessors and others Concerned.

SUBJECT : Real property Tax Exemption of the Government Service Insurance System (GSIS) properties pursuant to Republic Act No. 8291; and the Supreme Court (SC) Decision in the case of "Government Service Insurance System vs. City Treasurer and City Assessor of the City of Manila (G.R No. 186242), promulgated on December 23, 2009.

For the information and guidance of all concerned and in view of the similar reports received by this Bureau that some Local Government Units (LGUs) have been assessing the real properties owned by GSIS despite the exemption provided under Section 39 of R.A. 8291, as clarified under the Supreme Court (SC) Decision in the case of "Government Service Insurance System (GSIS) vs. City Treasurer and City Assessor of the City of Manila (G.R No. 186242), promulgated on December 23, 2000, quoted hereunder are Section 39 of R.A No. 8291 and portions of the Supreme Court Decision (G.R No. 186242), as follows:

SECTION 39, Republic Act No. 8291:

"x x x.

"SEC. 39. Exemption from Tax, Legal Process and Lien. - It is hereby declared to be the policy of the State that the actuarial solvency of the funds of the GSIS shall be preserved and maintained at all times and the contribution rates necessary to sustain the benefits under this Act shall be kept as low as possible in order not to burden the members of the GSIS and their employers. Taxes imposed on the GSIS tend to impair the actuarial solvency of its funds and increase the contribution rate necessary to sustain the benefits of this Act. Accordingly, notwithstanding, any laws to the contrary, the **GSIS, its assets, revenues including all accruals thereto, and benefits paid, shall be exempt from all taxes, assessments, fees, charges or duties of all kinds. These exemptions shall continue unless expressly and specifically revoked and any assessment against the GSIS as of the approval of this Act are hereby considered paid.** Consequently, all laws, ordinances, regulations, issuances, opinions or jurisprudence contrary to or in derogation of this provision are hereby deemed repealed, superseded and rendered ineffective and without legal force and effect.

notwithstanding its realty delinquency. This means that the /city of manila has to satisfy its tax claim by serving the accrued realty tax assessment on MHC, as the taxable beneficial user of the Katigbak property and, in case of nonpayment, through means other than the sale at public auction of the leased property.

“**WHEREFORE**, x x x. Accordingly, the real property tax assessments issued by the City of Manila to the Government Service Insurance System on the subject properties are declared **VOID**, except that the real property tax assessment pertaining to the leased Katigbak property shall be valid if served on the Manila Hotel Corporation, as lessee which has actual and beneficial use thereof. The City of Manila is permanently restrained from levying on or selling at public auction the subject properties to satisfy the payment of the real property tax delinquency.”

In the light of all the foregoing, the appraisal and assessment of the real properties of the GSIS shall be guided by the following:

1. That all real properties of the GSIS are exempt from the payment of real property tax.
2. That if the beneficial use thereof has been granted or enjoyed by a taxable person/entity, the liability for the payment of the real property tax shall be shouldered by the beneficial user; and
3. That in case the beneficial user fails to pay the real property tax, the property cannot in any event, be subject of a public auction sale notwithstanding its realty tax delinquency.

Therefore, the LGU has to satisfy its tax claim by serving the accrued realty tax assessments to the beneficial user of GSIS properties, and in case of nonpayment, the LGU may collect the realty tax through other means other than the sale at public auction of the leased property.

The Provincial Assessors and Treasurers are hereby instructed to disseminate the contents of this Circular, including the attachments, to the Municipal Assessors and Treasurers within their respective jurisdiction.


SALVADOR M. DEL CASTILLO
OIC-Executive Director