

SECOND DIVISION

[G.R. No. 188670, March 07, 2012]

**DEPARTMENT OF AGRARIAN REFORM, REPRESENTED BY OIC-
SECRETARY JOSE MARI B. PONCE, NOW BY SECRETARY NASSER
C. PANGANDAMAN, PETITIONER, VS. HEIRS OF ANGEL T.
DOMINGO, RESPONDENTS.**

R E S O L U T I O N

REYES, J.:

This is a petition for review on *certiorari* under Rule 45 of the Rules of Court filed by the Department of Agrarian Reform (DAR) assailing the Decision^[1] dated June 30, 2009 issued by the Court of Appeals (CA) in the consolidated cases of CA-G.R. SP Nos. 83765 and 84791 entitled "*Land Bank of the Philippines v. Heirs of Angel T. Domingo*" and "*Department of Agrarian Reform v. Heirs of Angel T. Domingo*," respectively.

The late Angel T. Domingo (Domingo) is the registered owner of a 70.3420-hectare rice land situated at Macapabellag, Guimba, Nueva Ecija, covered by Transfer Certificate of Title No. NT-97157.

On October 21, 1972, Presidential Decree No. 27^[2] (P.D. No. 27) was issued, pursuant to which actual tenant farmers of private agricultural lands devoted to rice and corn were deemed as full owners of the land they till. The land transfer program under P.D. No. 27 was subsequently implemented by Executive Order No. 228^[3] (E.O. No. 228) which was issued on July 17, 1987.

Consequently, out of the 70.3420 hectares of the said rice land, 34.9128 hectares (subject land) were taken by the government under its land transfer program and awarded the same to tenant farmers. Several Emancipation Patents were then issued to qualified tenant farmers on various dates, to wit:

Date Issued	Number Emancipation Patents Issued	Total Area Covered
April 29, 1988	11	21.8520 hectares
October 4, 1994	3	2.9372 hectares
July 29, 1997	3	7.3997 hectares
February 21, 2001	1	2.7245 hectares

On April 26, 2000, Domingo filed with the Regional Trial Court (RTC) of Guimba, Nueva Ecija a complaint for determination and payment of just compensation against the Land Bank of the Philippines (LBP) and DAR. Apparently, the LBP and DAR initially pegged the amount of just compensation for the subject land at

P127,298.61.

Domingo opposed the said valuation and claimed that the just compensation for the subject land should be computed using the parameters set forth under Republic Act No. 6657^[4] (R.A. No. 6657). Thus, Domingo claimed that the just compensation for the subject land should not be less than P5,236,920.00 for the whole 34.9128 hectares or P150,000.00 per hectare. He asserted that the subject land is a fully irrigated rice land capable of one-half harvest in two years, yielding an average harvest of 50 cavans per hectare. He likewise claimed that he has yet to receive the just compensation for the subject land.

The LBP and DAR disputed Domingo's valuation and claimed that the determination of just compensation should be governed by the provisions of P.D. No. 27 in relation to E.O. No. 228, i.e. **Land Value = Average Gross Production (AGP) x 2.5 x P35.00**,^[5] the latter amount representing the Government Support Price (GSP) on October 21, 1972. Thus, using this formula, they claimed that the just compensation for the subject land should be P459,091.60 inclusive of the benefit of DAR Administrative Order No. 13^[6] (A.O. No. 13).

Further, the LBP asserted that it had already paid Domingo the just compensation for the subject land, the latter having withdrawn the amounts of P419,438.17 and P39,653.43.

On January 21, 2004, the RTC rendered a Decision which, *inter alia*, fixed the just compensation for the subject land at P3,709,999.49. Evidently, the RTC used the method set forth under P.D. No. 27 in relation to E.O. No. 228 except that it used the GSP rate at the time of issuance of the various Emancipation Patents. The RTC computed the just compensation as follows:

a. For the 21.8520 hectare portion taken in 1988

$$\begin{aligned} &= 91.42 \times 2.5 \times 175 \\ &= P39,996.25 \times 21.8520 \\ &= P873,998.05 \times 2.397 \text{ (Annual compounding rate of 6\% p/a for 15 years)} \\ &= P2,094,973.32 \end{aligned}$$

b. For the 2.9372 hectare portion taken in 1994

$$\begin{aligned} &= 91.42 \times 2.5 \times 300 \\ &= P68,565.00 \text{ per hectare} \times 2.9372 \\ &= P201,389.11 \times 1.689 \text{ (Annual compounding rate of 6\% pa)} \\ &= P340,146.20 \end{aligned}$$

c. For the 7.3997 hectare portion taken in 1997

$$\begin{aligned} &= 91.42 \times 2[.]5 \times 400 \\ &= 91.420 \text{ (sic) per hectare} \times 7.3997 \\ &= 676,480.74 \times 1.419 \text{ (Annual compounding rate of 6\% pa for 6} \end{aligned}$$

years)
= P959,926.17

d. For the 2.7245 hectare portion taken in 2001

= $91.42 \times 2.5 \times 450$
= P102,847.50 per hectare $\times 2.72^{[4]}5$
= P280,208.01 $\times 1.124$ (Annual compounding rate of 6% for 2 years)
= P314,953.80
or a total of P3,709,999.49 $\times \times x^{[7]}$

The LBP and DAR filed their respective motions for reconsideration, which were partially granted by the RTC in its Order dated March 29, 2004. Accordingly, the RTC, after deleting the 6% additional increment it imposed, directed the LBP and DAR to pay Domingo the total amount of P2,032,075.91 as just compensation for the subject land.

The LBP and DAR then appealed from the foregoing disposition of the RTC. On June 30, 2009, the CA rendered the herein assailed Decision, the decretal portion of which reads:

WHEREFORE, the decision of the RTC is **AFFIRMED** with **MODIFICATION**. Conformably, the RTC of Guimba, Nueva Ecija, Branch 33, acting as a Special Agrarian Court, is **DIRECTED** to compute the final valuation of the subject land with deliberate dispatch in accordance with this Decision.

SO ORDERED.^[8]

In remanding the case to the RTC for the computation of the just compensation due on the subject land, the CA ruled that:

In fine, the RTC did not commit an error when it applied the provisions of R.A. 6657 and that the date of taking of Domingo's rice land for purposes of computing just compensation should be reckoned from the issuance dates of emancipation patents. However, the just compensation for the subject land in the present case should be computed in accordance with *Lubrica vs. Land Bank* $\times \times x$. In said case, it was held that:

Section 18 of R.A. No. 6657 mandates that the LBP shall compensate the landowner in such amount as may be agreed upon by the landowner and the DAR and the LBP or as may be finally determined by the court as the just compensation for the land. 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.

In the case of *Land Bank of the Philippines v. Celada x x x*, the above provision was converted into a formula by the DAR through Administrative Order No. 05, S. 1998, to wit:

$$\text{Land Value (LV)} = (\text{Capitalized Net Income} \times 0.6) + (\text{Comparable Sales} \times 0.3) + \text{Market Value per Tax Declaration} \times 0.1)^{[9]}$$

Undaunted, the DAR instituted the instant petition for review on *certiorari* before this Court alleging that the CA erred when it affirmed the ruling of the RTC that, for purposes of determining the just compensation for lands covered by P.D. No. 27, the provisions of R.A. No. 6657 must be applied.

In their comment,^[10] the respondents Heirs of Angel T. Domingo asserted that the instant petition ought to be denied, asserting that this Court, in a long line of cases, had established that the method of computing for just compensation set forth under R.A. No. 6657 applies to lands taken by the government under P.D. No. 27 in relation to E.O. No. 228.

Basically, this Court is called upon to determine this issue: whether the method set forth under R.A. No. 6657 in the computation of just compensation may be applied to private agricultural lands taken by the government under the auspices of P.D. No. 27 in relation to E.O. No. 228.

We rule in the affirmative.

The issue presented by the instant case is not novel. In *Land Bank of the Philippines v. Natividad*,^[11] this Court held that just compensation for private agricultural lands acquired by the government under the auspices of P.D. No. 27 in relation to E.O. No. 228 should be computed in accordance with the method set forth under R.A. No. 6657. Thus:

Land Bank's contention that the property was acquired for purposes of agrarian reform on October 21, 1972, the time of the effectivity of PD 27, ergo just compensation should be based on the value of the property as of that time and not at the time of possession in 1993, is likewise erroneous. In *Office of the President, Malacañang, Manila v. Court of Appeals*, we ruled that the seizure of the landholding did not take place on the date of effectivity of PD 27 but would take effect on the payment of just compensation.