



Republic of the Philippines  
**GOVERNMENT PROCUREMENT POLICY BOARD**  
**TECHNICAL SUPPORT OFFICE**

**NPM No. 003-2026**

**DMS Reference No.: 2026-\_AD-0003008-C-LR**

13 March 2026

[REDACTED]

Re : **Request for Guidance and Confirmation on the Modality for the Procurement of a New Administrative Office Building**

Dear [REDACTED]:

This refers to your request<sup>1</sup> for guidance regarding the proposed acquisition of a new administrative office building through a ten-year Lease-Purchase Agreement with the Government Service Insurance System (GSIS).

As represented, under the contemplated arrangement, the GSIS will first acquire the property known as "The Centrum" building and will subsequently enter into a Lease-Purchase Agreement with the Department of the Interior and Local Government (DILG) and the Department of Justice (DOJ) for a fixed term of ten (10) years. This arrangement is intended to be supported by a Multi-Year Contractual Authority (MYCA) to be issued by the Department of Budget and Management (DBM).

Notably, the Office of the Acting Executive Secretary, conveyed that it has "no objection" to the proposal, subject to strict compliance with the applicable procurement laws and the securing of technical guidance from the Government Procurement Policy Board (GPPB) and its Technical Support Office (TSO) on the propriety of the modality, among others. Hence, this request.

In determining the legal nature of the proposed arrangement, it is a settled principle in Philippine jurisprudence that a contract denominated as a "Lease Agreement" with an option to purchase, in substance, constitute a conditional sale on installments when the intent of the parties and the structure of the payments demonstrate that ownership will ultimately be transferred to the lessee. As held in *Filinvest Credit Corporation v. Court of Appeals*<sup>2</sup>, the nomenclature used by the parties does not determine the nature of the transaction. Rather, where the "rentals" are structured in such a way that they effectively cover the purchase price of the property and ownership is transferred to the lessee upon completion of the payments, the agreement is, in legal contemplation, a sale on installments.

Applying the foregoing doctrine to the present situation, a lease-purchase arrangement involving real property, where periodic payments are intended to culminate in the transfer of ownership to the government entity, may properly be characterized as an **installment**

<sup>1</sup> Received on 4 March 2026.

<sup>2</sup> *Filinvest Credit Corp. v. Court of Appeals*, G.R. No. 82508, Sept. 29, 1989, 178 SCRA 188.



**acquisition of real property rather than a mere lease of premises.** Consequently, **the transaction partakes of the nature of a sale or acquisition of real property.** In this regard, Section 4.3 of the Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 12009 provides that the Act and its IRR shall not apply to acquisition of real property, which shall be governed by RA No. 10752, entitled the "*The Right-of-Way Site or Location for National Government Infrastructure Projects.*"

Considering the foregoing, the proposed acquisition of a new administrative office building through a ten-year Lease-Purchase Agreement with the GSIS falls beyond the scope of RA No. 12009<sup>3</sup> and its IRR.

This opinion is rendered based on the rules and the specific facts and circumstances presented and may not necessarily apply under a different set of facts and circumstances.

We hope that we have sufficiently addressed the concern raised.

Very truly yours,  
(sgd.)

**ATTY. SOFIA C. YANTO-ABAD**  
*Officer-in-Charge, GPPB-TSO*

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<sup>3</sup> Section 4.3(b) of the IRR of RA No. 12009.