

## FIRST DIVISION

[ G.R. No. 225409, March 11, 2020 ]

### PHILIPPINE HEART CENTER PETITIONER, V. THE LOCAL GOVERNMENT OF QUEZON CITY, CITY MAYOR OF QUEZON CITY, CITY TREASURER OF QUEZON CITY AND CITY ASSESSOR OF QUEZON CITY RESPONDENT.

#### DECISION

LAZARO-JAVIER, J.:

##### The Case

This petition for review on *certiorari* assails the following dispositions of the Court of Appeals in CA-G.R. SP No. 121019 entitled *Philippine Heart Center versus the Local Government of Quezon City, City Mayor of Quezon City, City Treasurer of Quezon City and City Assessor of Quezon City*:

1. Decision dated March 15, 2016,<sup>[1]</sup> dismissing the Philippine Heart Center's (PHC's) petition for *certiorari* for being the wrong remedy against a supposedly void assessment, levy, and sale of real property; and
2. Resolution dated June 23, 2016,<sup>[2]</sup> denying the PHC's motion for reconsideration.

##### Antecedents

In 1975, the PHC was established under Presidential Decree 673<sup>[3]</sup> (PD 673) as a specialty hospital mandated to provide expert comprehensive cardiovascular care to the general public, especially the poor and less fortunate in life.<sup>[4]</sup>

To enable the PHC to perform its mandate, the national government provided the initial land, building, equipment and facilities needed for its establishment.<sup>[5]</sup> PD 673 also authorized the PHC to acquire properties; to enter into contracts; and to mortgage, encumber, lease, sell, convey or dispose of its properties.<sup>[6]</sup> More, it exempted the PHC from "the payment of all taxes, charges, fees imposed by the Government or any political subdivision or instrumentality thereof" for a period of ten (10) years.<sup>[7]</sup> In 1985, then President Ferdinand E. Marcos issued Letter of Instruction (LOI) 1455 extending the tax exemption "without interruption."<sup>[8]</sup>

Among the properties owned by the PHC were eleven (11) land and buildings in Quezon City under the following tax declarations: (1) C-021-01200; (2) D-021-02081; (3) C-021-01201; (4) D-021-02082; (5) C-021-01202; (6) D-021-02542; (7) D-021-03359; (8) D-021-02541; (9) E-021- 00006; (10) E-021-01049 and (11) E-021-01049.<sup>[9]</sup>

In 2004 respondent Quezon City Government issued three (3) final Notices of Delinquency for unpaid real property taxes of Php36,530,545.00 pertaining to the eleven (11) afore-cited properties of the PHC. The notices were unheeded, thus, respondent Quezon City Treasurer levied on the PHC's properties.<sup>[10]</sup>

Aggrieved, the PHC wrote then President Gloria M. Macapagal-Arroyo for condonation or reduction of the taxes assessed on its properties. But since its letter was not acted upon, the PHC entered into a Memorandum of Agreement (MOA) with the Quezon City Government as a means to settle its tax liabilities. Under this MOA, the PHC agreed to provide free medical services to qualified residents of Quezon City until the accumulated monetary value of these services was sufficient to cover the real property taxes it owed.<sup>[11]</sup>

Under Memorandum dated August 22, 2006, the Office of the Government Corporate Counsel (OGCC) informed the PHC of the Court's ruling in *Manila International Airport Authority v. Court of Appeals*<sup>[12]</sup> (MIAA). There, the Court declared that government entities are exempt from taxes, fees or charges of any kind that may be imposed by any local government unit. It also advised all government instrumentalities under its jurisdiction to suspend any payment of local tax liability pending the finality of the Court's ruling. Consequently, the PHC withheld the efficacy of its MOA with the Quezon City Government.<sup>[13]</sup>

Subsequently, in November 2010, a new MOA was forged between the PHC and the Quezon City Government containing the same stipulations in their earlier agreement. The PHC, however, suspended the implementation of the second MOA when Dr. Manuel T. Chua Chiaco Jr. became Executive Director. It also reiterated its exemption from payment of taxes based on the OGCC's August 22, 2006 Memorandum.<sup>[14]</sup>

The Quezon City Government, nonetheless, stood firm on its position that the PHC was and still remained liable for real property taxes since a major portion of its properties were being leased to private individuals. Thus, on June 1, 2001, it issued two (2) Final Notices of Tax Delinquency to the PHC. On June 13, 2011, respondent Quezon City Treasurer issued a Warrant of Levy for the PHC's failure to pay real property taxes despite due notice. On July 7, 2011, after due publication, all the properties were sold to the Quezon City Government, the lone bidder during the public auction.<sup>[15]</sup>

On September 1, 2011, the PHC filed a petition for *certiorari* before the Court of Appeals, claiming respondents Quezon City Government, Mayor, Treasurer and Assessor gravely abused their discretion when they assessed, levied and sold its properties. It asserted that under the Court's ruling in MIAA, it was exempt from taxes, fees and charges imposed by a local government unit. Further, as a charitable institution, the real properties it owned which were actually, directly and exclusively used for charitable purposes were exempt from real property taxes.<sup>[16]</sup>

In its Comment, respondents moved to dismiss the petition for the PHC's failure to exhaust administrative remedies. They also pointed to the PHC's failure to comply with the formal requirements of verification and certification against forum shopping since Dr. Chua Chiaco, Jr. was not duly authorized by the PHC to sign these documents in its behalf. Too, the Court of Appeals could not have acquired jurisdiction over the petition since the PHC failed to pay the deposit required under Section 267 of Republic Act (RA) 7160,<sup>[17]</sup> otherwise known as the Local Government Code. As for the substantive aspect, respondents claim that the PHC failed to clearly show the basis of its tax exemption.<sup>[18]</sup>

### **The Rulings of the Court of Appeals**

In its Decision dated September 25, 2012,<sup>[19]</sup> the Court of Appeals dismissed the petition for failure of the PHC to exhaust administrative remedies available to it under Section 252 of RA 7160, viz:

#### **Section 252. Payment Under Protest. -**

(a) No protest shall be entertained unless the taxpayer first pays the tax. There shall be annotated on the tax receipts the words "paid under protest". The protest in writing must be filed within thirty (30) days from payment of the tax to the provincial, city treasurer or municipal treasurer, in the case of a municipality within Metropolitan Manila Area, who shall decide the protest within sixty (60) days from receipt.

(b) The tax or a portion thereof paid under protest, shall be held in trust by the treasurer concerned.

(c) In the event that the protest is finally decided in favor of the taxpayer, the amount or portion of the tax protested shall be refunded to the protestant, or applied as tax credit against his existing or future tax liability.

(d) In the event that the protest is denied or upon the lapse of the sixty-day period prescribed in subparagraph (a), the taxpayer may avail of the remedies as provided for in Chapter 3, Title II, Book II of this Code.

The availability of a plain, speedy and adequate remedy allegedly did not only bar the PHC from resorting to the extraordinary remedy of *certiorari*, it also rendered the PHC's action premature.<sup>[20]</sup>

On reconsideration, the PHC argued that the doctrine of exhaustion of administrative remedies is not iron-clad and the Court had in fact recognized several exceptions thereto.<sup>[21]</sup> It argued that the Court of Appeals may already take cognizance of its petition since: (1) respondents' act of imposing real property taxes on its properties is patently illegal; (2) the issue of whether it is exempt from paying real property taxes is a pure question of law; and (3) it would be unreasonable to require the PHC to exhaust administrative remedies considering that its properties were already levied and sold through public auction.<sup>[22]</sup>

By Resolution dated March 18, 2013, the Court of Appeals reinstated the petition. It held that the remedies under Section 252 of RA 7160 are no longer plain, speedy, nor adequate since the properties in issue had already been auctioned off and sold to the Quezon City Government. There was also an urgent need for judicial intervention since the PHC "is a vital cog in the government's public health program" and "there is no telling what its future as a leading government cardiovascular hospital would be" should its properties be transferred to the Quezon City Government.<sup>[23]</sup>

As for PHC's alleged failure to comply with the deposit requirement under Section 267 of RA 7160, the Court of Appeals ruled that the provision does not apply where the government or any of its agencies is plaintiff, as in this case. *National Housing Authority v. Iloilo City*<sup>[24]</sup> elucidated:

The deposit requirement, to be sure, is not a tax measure. As expressed in Section 267 itself, the amount deposited shall be paid to the purchaser at the auction sale if the deed is declared invalid; otherwise, it shall be returned to the depositor. The deposit, equivalent to the value for which the real property was sold plus interest, is essentially meant to reimburse the purchaser of the amount he had paid at the auction sale should the court declare the sale invalid.

Clearly, the deposit precondition is an ingenious legal device to guarantee the satisfaction of the tax delinquency, with the local government unit keeping the payment on the bid price no matter the final outcome of the suit to nullify the tax sale. Thus, the requirement is not applicable if the plaintiff is the government or any of its agencies as it is presumed to be solvent,<sup>8</sup> and more so where the tax exempt status of such plaintiff as basis of the suit is acknowledged. In this case, NHA is indisputably a tax-exempt entity whose exemption covers real property taxes and so its property should not even be subjected to any delinquency sale. Perforce, the bond mandated in Section 267, whose purpose it is to ensure the collection of the tax delinquency should not be required of NHA before it can bring suit assailing the validity of the auction sale.

Respondents' motion for reconsideration was denied on September 27, 2013.<sup>[25]</sup>

By its assailed Decision dated March 15, 2016, however, the Court of Appeals dismissed anew the PHC's petition for *certiorari*. Although it found the petition to have been properly verified and accompanied by a certificate against forum shopping,<sup>[26]</sup> it was nevertheless an improper remedy to assail the acts of respondents.<sup>[27]</sup> *Certiorari* would lie only against the exercise of judicial or quasi-judicial functions. But when respondents assessed, levied, and sold the properties of the PHC, they were not acting in any judicial or quasi-judicial capacity. The PHC's choice of remedy was, therefore, fatal to its case. Consequently, the Court of Appeals no longer delved into the merits of the PHC's arguments.<sup>[28]</sup>

The PHC moved for reconsideration which was denied under Resolution dated June 23, 2016.<sup>[29]</sup>

### **The Present Petition**

The PHC now urges this Court to nullify the Court of Appeals' Decision dated March 15, 2016 and Resolution dated June 23, 2016.

It asserts that it availed of the proper remedy of *certiorari* before the Court of Appeals when it challenged the authority of the Quezon City Government to assess it with real property taxes. It cites *MIAA and Mactan Cebu International Airport Authority v.*

*City of Lapu-Lapu*<sup>[30]</sup> (MCIAA) wherein the Court supposedly allowed the same remedy under similar circumstances. Even assuming there were indeed procedural infirmities in filing the petition for *certiorari*, considerations of equity and substantial justice present cogent reasons to relax the rules. <sup>[31]</sup>

On the merits, the PHC reiterates its claim for exemption from real property taxes pursuant to PD 673 and LOI 1455.<sup>[32]</sup> It also argues that under Article III, Section 28(3) of the 1987 Constitution<sup>[33]</sup> and Section 234(b) of RA 7160,<sup>[34]</sup> charitable institutions are exempt from paying real property taxes on its properties which are being actually, directly, and exclusively being used for charitable purposes.<sup>[35]</sup>

At any rate, it is exempt from real property taxes as a government instrumentality.<sup>[36]</sup> The Court has recognized this exemption in the following cases: (1) *Philippine Fisheries Development Authority (PFDA) v. Central Board of Assessment Appeals*;<sup>[37]</sup> (2) *Government Service Insurance System v. City Treasurer and City Assessor of the City of Manila*;<sup>[38]</sup> (3) *Manila International Airport Authority v. City of Pasay*;<sup>[39]</sup> (4) *National Housing Authority v. Iloilo City* as represented by its Mayor;<sup>[40]</sup> (5) *Philippine Fisheries Development Authority (PFDA) v. The Honorable Court of Appeals*;<sup>[41]</sup> and (6) *Philippine Fisheries Development Authority (PFDA) v. Court of Appeals*.<sup>[42]</sup>

In its Comment/Opposition,<sup>[43]</sup> respondents riposte:

**First**, the PHC failed to comply with the rule on verification and non-forum shopping. It did not attach a Board Resolution or Secretary's Certificate authorizing Dr. Gerardo S. Manzo to file the petition and sign the appended verification and certification against forum shopping;<sup>[44]</sup>

**Second**, the PHC failed to exhaust administrative remedies when it filed its petition before the Court of Appeals instead of availing of the remedies available under Section 277 of Ordinance No. SP-91, S. 1993, otherwise known as the Quezon City Revenue Code, *i.e.* any protest against a tax assessment may be filed before the City Treasurer through the Board of Tax Appeals after payment of the assessed tax "under protest." Section 266 of the same Ordinance further provides for administrative appeal before the Board of Tax Appeals as condition *sine qua non* to judicial action.<sup>[45]</sup>

**Third**, the PHC is not exempt from real property taxes because it granted the beneficial use of its properties to commercial establishments such as Globe Telecom, Inc., Jollibee Foods Corporation, Course Development, Inc. and Proheart Food Corp. (Chowking). If it were indeed exempt from real property taxes, it should have proved so pursuant to Section 206 of RA 7160,<sup>[46]</sup> *viz*:

**Section 206.** Proof of Exemption of Real Property from Taxation. - Every person by or for whom real property is declared, who shall claim tax exemption for such property under this Title shall file with the provincial, city or municipal assessor within thirty (30) days from the date of the declaration of real property sufficient documentary evidence in support of such claim including corporate charters, title of ownership, articles of incorporation, by-laws, contracts, affidavits, certifications and mortgage deeds, and similar documents.

If the required evidence is not submitted within the period herein prescribed, the property shall be listed as taxable in the assessment roll. However, if the property shall be proven to be tax exempt, the same shall be dropped from the assessment roll.

In its Reply,<sup>[47]</sup> the PHC counters that it appended to the petition copy of Department of Health (DOH) Order No. 2016-2359-A dated August 5, 2016, bearing the designation of Dr. Manzo as PHC Officer-in-Charge Executive Director. As for its alleged failure to exhaust administrative remedies, this issue had long been settled by the Court of Appeals in its favor. Finally, it reiterates its substantive arguments in support of its claim for exemption from real property taxes.

#### Threshold Issues

Whether the PHC's recourse ought to be dismissed for failure to exhaust administrative remedies had already been resolved with finality by the Court of Appeals in Resolution dated March 18, 2013. Under the doctrine of finality or immutability of judgment, a decision that has acquired finality becomes immutable and unalterable, and may no longer be modified in any respect, even if the modification is meant to correct erroneous conclusions of fact and law.<sup>[48]</sup>

Hence, the only remaining issues are:

1. Did the PHC comply with the required verification and certification against forum shopping?
2. Is a petition for *certiorari* the proper remedy to challenge respondents' assessment, levy, and sale of its properties for failure to pay real property taxes thereon?
3. Is the PHC exempt from paying real property taxes on its eleven (11) properties in Quezon City?

#### Ruling

##### **The petition substantially complied with the rules on verification and certification against forum shopping**

An individual cannot exercise any corporate power pertaining to a corporation without authority from its board of directors. Physical acts of the corporation, like the signing of documents, can be performed only by natural persons duly authorized for the purpose. Consequently, verifications and certifications against forum shopping purportedly signed in behalf of the corporation but without the requisite board resolution authorizing the same are defective.<sup>[49]</sup>

Such defect, however, merely affects the form of the pleading and does not necessarily warrant the outright dismissal of the case. In fact, courts may order the correction of the unverified pleading or even act on it despite the infirmity to ensure that the

ends of justice are served.<sup>[50]</sup> ***Cagayan Valley Drug Corporation v. Commissioner of Internal Revenue***<sup>[51]</sup> is apropos:

In a slew of cases, however, we have recognized the authority of some corporate officers to sign the verification and certification against forum shopping. **In *Mactan-Cebu International Airport Authority v. CA*, we recognized the authority of a general manager or acting general manager to sign the verification and certificate against forum shopping;** in *Pfizer v. Galan*, we upheld the validity of a verification signed by an "employment specialist" who had not even presented any proof of her authority to represent the company; in *Novelty Philippines, Inc., v. CA*, we ruled that a personnel officer who signed the petition but did not attach the authority from the company is authorized to sign the verification and non-forum shopping certificate; and in *Lepanto Consolidated Mining Company v. WMC Resources International Pty. Ltd. (Lepanto)*, we ruled that the Chairperson of the Board and President of the Company can sign the verification and certificate against non-forum shopping **even without the submission of the board's authorization.** (emphases added)

*Cagayan Valley Drug Corporation* cited cases like *Mactan-Cebu International Airport Authority v. Court of Appeals*,<sup>[52]</sup> *Pfizer v. Galan*,<sup>[53]</sup> *Novelty Philippines, Inc. v. Court of Appeals*,<sup>[54]</sup> and *Lepanto Consolidated Mining Company v. WMC Resources International Pty. Ltd.*<sup>[55]</sup> Where the Court invariably recognized the authority of some corporate officer to sign the verification and certificate against forum shopping, albeit they had not even presented any proof of their authority to represent the company. In all these cases, the Court accepted as proper the signatories' verification and certification against forum shopping because these signatories were in a position to verify the truthfulness and correctness of the allegations in their respective petitions. This is the Court's standard in gauging whether there was substantial compliance with Rule 7, Sections 4 and 5<sup>[56]</sup> of the Rules of Court.<sup>[57]</sup>

Here, although the PHC did not expressly authorize Dr. Manzo to sign the petition's verification and certificate against forum shopping in its behalf, Dr. Manzo, as Officer-in-Charge Executive Director of the PHC pursuant to DOH Order No. 2016-2359-A dated August 5, 2016, is indubitably in a position to verify the truthfulness of the allegations in the petition. Too, considering further the substantive issues involved here, liberal application of the rules is warranted so the ends of justice may be served.

### **The PHC properly availed of the extraordinary remedy of *certiorari* before the Court of Appeals**

Article VIII, Section 1 of the 1987 Constitution empowers the Court to determine whether there has been grave abuse of discretion amounting to lack or excess of jurisdiction on the part of any branch or instrumentality of the Government.<sup>[58]</sup> This is the Court's expanded power of judicial review which may be invoked through special civil actions for *certiorari* or prohibition under Rule 65 of the Rules of Court.

The remedies of *certiorari* and prohibition may issue to correct errors of jurisdiction committed not only by a tribunal, corporation, board or officer exercising judicial, quasi-judicial or ministerial functions but also to set right, undo and restrain any act of grave abuse of discretion amounting to lack or excess of jurisdiction by any branch or instrumentality of the government, even if the latter does not exercise judicial, quasi-judicial or ministerial functions.<sup>[59]</sup>

Here, the PHC correctly availed of the remedy of *certiorari* before the Court of Appeals when it assailed the validity of respondents' assessment, levy and sale of its eleven (11) properties in Quezon City. Although respondents' acts were neither judicial nor quasi-judicial in nature, the same may still be the proper subject of *certiorari* when tainted with grave abuse of discretion amounting to lack or excess of jurisdiction.

In its petition for *certiorari* before the Court of Appeals, the PHC charged respondents with grave abuse of discretion when they imposed and assessed taxes on its properties despite the PHC's claimed exemption pursuant to PD 673, LOI 1455, Article III, Section 28(3) of the 1987 Constitution, Section 234(b) of RA 7160, and the *MIAA* and *MCIAA* cases. Should their argument merit the grant of affirmative relief, *certiorari* may properly issue to nullify respondents' acts.

### **The PHC is a government instrumentality with corporate powers exempt from local taxes**

Local government units are empowered to create their own sources of revenues and to levy taxes, fees, and charges subject to guidelines and limitations as Congress may provide.<sup>[60]</sup> On this score, Section 232 of RA 7160 recognizes the power of the local government units to tax real property not otherwise exempt, viz:

**Section 232. Power to Levy Real Property Tax.** - A province or city or a municipality within the Metropolitan Manila Area may levy an annual ad valorem tax on real property such as land, building, machinery, and other improvement not hereinafter specifically exempted.

One of the limitations to this power is embodied in Section 133(o), viz.:

SEC. 133. *Common Limitations on the Taxing Powers of Local Government Units.* - Unless otherwise provided herein, **the exercise of the taxing powers of provinces, cities, municipalities, and barangays shall not extend to the levy of the following:**

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(o) **Taxes, fees or charges of any kind on the National Government, its agencies and instrumentalities** and local government units. (emphases and underscoring supplied)

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*MIAA* elucidated on the rationale behind the exemption from local taxes of the national government and its agencies and instrumentalities, thus:

Section 133(o) recognizes the basic principle that local governments cannot tax the national government, which historically merely delegated to local governments the power to tax. While the 1987 Constitution now includes taxation as one of the powers of local governments, local governments may only exercise such power "subject to such guidelines and limitations as the Congress may provide."

When local governments invoke the power to tax on national government instrumentalities, such power is construed strictly against local governments. The rule is that a tax is never presumed and there must be clear language in the law imposing the tax. Any doubt whether a person, article or activity is taxable is resolved against taxation. This rule applies with greater force when local governments seek to tax national government instrumentalities.

Another rule is that a tax exemption is strictly construed against the taxpayer claiming the exemption. However, when Congress grants an exemption to a national government instrumentality from local taxation, such exemption is construed liberally in favor of the national government instrumentality. As this Court declared in *Maceda v. Macaraig, Jr.*<sup>[61]</sup>:

The reason for the rule does not apply in the case of exemptions running to the benefit of the government itself or its agencies. In such case the practical effect of an exemption is merely to reduce the amount of money that has to be handled by government in the course of its operations. For these reasons, provisions granting exemptions to government agencies may be construed liberally, in favor of non-taxliability of such agencies.

There is, moreover, no point in national and local governments taxing each other, unless a sound and compelling policy requires such transfer of public funds from one government pocket to another.

There is also no reason for local governments to tax national government instrumentalities for rendering essential public services to inhabitants of local governments. The only exception is when the legislature clearly intended to tax government instrumentalities for the delivery of essential public services for sound and compelling policy considerations. There must be express language in the law empowering local governments to tax national government instrumentalities. Any doubt whether such power exists is resolved against local governments.

Thus, Section 133 of the Local Government Code states that "unless otherwise provided" in the Code, local governments cannot tax national government instrumentalities. xxx

Section 234(a) of RA 7160 further exempts real property owned by the Republic from real property taxes, viz:

SEC. 234. *Exemptions from Real Property Tax.* -The following are exempted from payment of the real property tax:

- (a) Real property **owned by the Republic of the Philippines or any of its political subdivisions** except when the beneficial use thereof has been granted, for consideration or otherwise, to a taxable person; (emphasis added)

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Indeed, real properties owned by the Republic, whether titled in the name of the Republic itself or in the name of agencies or instrumentalities of the national government, are exempt from real property tax.<sup>[62]</sup> Central to the resolution of this case, therefore, is determining whether the PHC is a government instrumentality covered by this tax exemption.

Section 2(10) of Executive Order (EO) 292, the Administrative Code of 1987, defines an "Instrumentality" as "any agency of the National Government, not integrated within the department framework, vested with special functions or jurisdiction by law, **endowed with some if not all corporate powers**, administering special funds, and enjoying operational autonomy, usually through a charter." From this definition, the category of an **instrumentality with corporate powers** was born. The concept came to fore by virtue of this Court's pronouncement in *MIAA*, viz:

MIAA is a government instrumentality vested with corporate powers to perform efficiently its governmental functions. MIAA is like any other government instrumentality, the only difference is that MIAA is vested with corporate powers.  
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**When the law vests in a government instrumentality corporate powers, the instrumentality does not become a corporation. Unless the government instrumentality is organized as a stock or non-stock corporation, it remains a government instrumentality exercising not only governmental but also corporate powers x x x x Likewise, when the law makes a government instrumentality operationally autonomous, the instrumentality remains part of the National Government machinery although not integrated with the department framework x x x x**

Many government instrumentalities are vested with corporate powers but they do not become stock or non-stock corporations, which is a necessary condition before an agency or instrumentality is deemed a government-owned or controlled corporation x x x x These government instrumentalities are sometimes loosely called government corporate entities. However, they are not government-owned or controlled corporations in the strict sense as understood under the Administrative Code, which is the governing law defining the legal relationship and status of government entities. (emphasis added)

On December 29, 2006, EO 596<sup>[63]</sup> was enacted, acknowledging this new category described in *MIAA* and placing it under the jurisdiction of the OGCC. Section 1 of EO 596 provides:

Section 1. The Office of the Government Corporate Counsel (OGCC) shall be the principal law office of all GOCCs, except as may otherwise be provided by their respective charter or authorized by the President, their subsidiaries, corporate offsprings, and government acquired asset corporations. The OGCC shall likewise be the principal law office of "government instrumentality vested with corporate powers" or "government corporate entity," as defined by the