

SECOND DIVISION

[G.R. No. 221626, October 09, 2019]

LIGHT RAIL TRANSIT AUTHORITY, PETITIONER, VS. QUEZON CITY, REPRESENTED BY THE CITY TREASURER AND THE CITY ASSESSOR, RESPONDENT.

DECISION

LAZARO-JAVIER, J.:

Prefatory

The doctrine of precedents is fundamental to our legal system. It provides certainty while permitting the orderly development of the law in incremental steps. Stare decisis, however, is not a straitjacket which condemns the law to stasis or a state of suspended animation and disbelief. Where there is a change in the circumstances which fundamentally shifts the parameters of the debate, especially the collective thinking of the Court expressed in later decisions and the present social milieu on which our decisions will greatly impact, we have to understand and give effect to precedents in such new light.

The Case

This Petition for Review^[1] seeks to nullify the following dispositions of the Regional Trial Court, Branch 95, Quezon City, in Civil Case No. Q-11-70303, entitled "Light Rail Transit Authority vs. Quezon City, represented by the City Treasurer and the City Assessor" for Certiorari, Prohibition and Injunction:

- Decision^[2] dated March 5, 2015, sustaining the realty taxes
1. imposed by the local government of Quezon City on the LRTA's real properties.
 2. Order dated November 3, 2015, denying the LRTA's motion for reconsideration.

Antecedents

Pursuant to Executive Order No. 603^[3] (EO 603) dated July 12, 1980, the Light Rail Transit Authority (LRTA) was created primarily to construct, operate, maintain, and/or lease the light rail transit system of the country. For this purpose, the LRTA acquired real properties^[4] and commenced its operations in 1984.

On October 12, 2000, the Court rendered its decision in **LRTA v. Central Board of Assessment Appeals (CBOA)**^[5] involving the City of Manila's tax assessment on the LRTA's real properties consisting of lands, buildings, carriageways and passenger terminal stations, machinery, and equipment which the City of Manila considered

taxable under the Real Property Tax Code. The Court ruled that the LRTA's properties had already been classified by law as patrimonial property subject to tax.

On October 15, 2007, the LRTA received several Statements of Delinquency and Final Notices of Tax Delinquency, this time, from respondent Quezon City. By letter^[6] dated October 15, 2007, the LRTA informed Quezon City that pursuant to the subsequent case of ***MIAA v. Court of Appeals***,^[7] the LRTA is a government instrumentality, thus, exempt from real property tax.^[8]

Through the Office of the City Treasurer, Quezon City issued warrants of levy on the LRTA's properties on which realty taxes had not been paid.

On November 12, 2007, the LRTA again wrote Quezon City reiterating the effect of ***MIAA v. Court of Appeals***^[9] on its status and tax exemption as a government instrumentality. Despite its continuous communication with the LRTA, however, Quezon City did not stop sending notices to the former for collection of realty taxes of Five Hundred Fifteen Million Two Hundred Four Thousand Seven Hundred Sixty-Nine and Thirteen Centavos (P515,204,769.13).^[10]

In December 2007, Quezon City auctioned the affected LRTA properties. But for lack of any interested bidder, these properties were instead sold to Quezon City pursuant to Sec. 263 of RA 7610, viz:^[11]

Registered Owner	Location	Tax Declaration	Assessed Value	Actual Use
LRTA	Loyola Heights	D-056-09933	636,275,580.00	Commercial
LRTA	Mariana	D-061-07102	25,506,730.00	Commercial
LRTA	Kaunlaran	D-050-02656	281,163,250.00	Commercial
LRTA	Kaunlaran	D-050-02838	340,508,070.00	Commercial
LRTA	Bagumbahay	E-010-02906	203,751,440	Commercial
LRTA	Bagumbuhay	D-010-02867	33,460,930.00	Commercial
LRTA	E.Rodriguez	D-040-04992	420,598,970.00	Commercial
LRTA	Mariana	D-061-06701	212,350,740.00	Commercial
LRTA	E.Rodriguez	D-040-04802	340,260,790.00	Commercial
LRTA	Valencia	D-130-05857	102,410,250.00	Commercial
LRTA	Loyola Heights	D-056-09527	110,550,190.00	Commercial
LRTA	Loyola Heights	D-056-10467	147,668,500.00	Commercial
LRTA	Marilag	D-063-04730	279,948,100.00	Commercial
LRTA	Valencia	D-130-05856	200,072,650.00	Commercial
LRTA	Mariana	D-061-07103	314,349,440.00	Commercial
LRTA	Kaunlaran	D-050-02655	21,529,630.00	Commercial

On April 6, 2010, Quezon City again auctioned off another set of the LRTA properties,^[12] thus:

Tax Declaration	Tax Liability	Purchase Price
E-050-0078	33,640.10	45,000.00
E-040-01350	26,948.48	6,467.76
E-040-01433	40,568.74	16,800.00
E-40-01352	34,791.80	8,350.03
E-130-00148	6,131.10	4,800.00
E-050-00080	7,624.78	2,400.00
E-061-00403	95,602.45	-
E-050-00084	35,048.10	-
E-063-00088	197,625.90	-

Meantime, the LRTA's right of redemption expired on April 4, 2011.^[13] It thus filed a petition for certiorari, prohibition and injunction against Quezon City before the Regional Trial Court, which was raffled to Branch 95 and docketed as Civil Case No. Q-11-70303.

Invoking ***MIAA v. Court of Appeals***,^[14] the LRTA asserted anew that it is a government instrumentality, hence, exempt from real property tax.^[15]

For its part, Quezon City countered that the LRTA is not a government instrumentality but a government-owned and controlled corporation (GOCC). Its activities are proprietary in nature and not purely governmental. It is clothed with corporate status and powers, earns profit, and operates as an ordinary private corporation. EO 603 does not exempt the LRTA from real property taxes. The Local Government Code of 1991 has removed or withdrawn the tax exemptions of GOCCs. Consistent with the decision in ***LRTA v. CBOA***,^[16] the LRTA is thus a taxable entity.^[17]

The Trial Court's Ruling

By Decision dated March 5, 2015, the trial court dismissed the petition. It held, among others, that the LRTA properties are taxable based on the Local Government Code and the Constitution. It further ruled that the taxability of the LRTA properties was already settled in ***LRTA v. CBOA***. The LRTA's reliance on ***MIAA v. CA*** was, therefore, allegedly misplaced.

The LRTA's motion for reconsideration was denied through Order dated November 3, 2015.^[18]

The Present Petition

The LRTA now urges the Court to nullify the trial court's dispositions regarding its liability for real property tax. It reiterates that it is not a GOCC but a government instrumentality, hence, its properties are not taxable. The decision in ***Mactan Cebu International Airport (MCIAA) v. City of LapuLapu***^[19] citing the 2006 MIAA case, superseded ***LRTA v. CBOA***. Its properties belong to the Republic of the

Philippines and are intended for public use, hence, exempt from real property taxes.
[20]

In its Comment,^[21] Quezon City ripostes, in the main: a) the LRTA is not a government instrumentality but a GOCC; b) its activities are proprietary and not purely governmental; and c) it is profit earning and operating like a private corporation.

Issues

- 1) Is the LRTA a GOCC or a government instrumentality; and
- 2) Are the LRTA's properties subject to real property tax?

Ruling

The Local Government Code provides for the exercise by local government units of the power to tax, its scope or limitations, and those who are exempt from local taxation. On this score, Section 232 of the Code recognizes the power of the local government units to tax real property not otherwise exempt therefrom, *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.

Section 234 of the Code further enumerates the properties exempt from real property tax, *viz*:

Section 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;
- (b) Charitable institutions, churches, parsonages or convents appurtenant thereto, mosques, non-profit or religious cemeteries and all lands, buildings, and improvements actually, directly, and exclusively used for religious, charitable or educational purposes;
- (c) All machineries and equipment that are actually, directly and exclusively used by local water districts and government owned or controlled corporations engaged in the supply and distribution of water and/or generation and transmission of electric power;
- (d) All real property owned by duly registered cooperatives as provided for under R.A. No. 6938; and
- (e) Machinery and equipment used for pollution control and

environmental protection.

Except as provided herein, any exemption from payment of real property tax previously granted to, or presently enjoyed by, all persons, whether natural or juridical, including all government-owned or -controlled corporations are hereby withdrawn upon the effectivity of this Code.

Section 234 of the Local Government Code (LGC) has withdrawn the previous real property tax exemptions granted to natural or juridical persons, including government-owned or controlled corporations, except as otherwise provided therein. The law ordains that only real properties owned by the Republic of the Philippines or any of its political subdivisions are exempt from real property tax.

***The LRTA is not a government
owned and controlled
corporation (GOCC).***

The Administrative Code of 1987 defines a government owned and controlled corporation (GOCC) in this wise:

(13) government-owned or controlled corporations refer to any agency organized as a stock or non-stock corporation vested with functions relating to public needs whether governmental or proprietary in nature, and owned by the government directly or indirectly through its instrumentalities either wholly, or where applicable as in the case of stock corporations to the extent of at least 51% (fifty-one percent) of its capital stock.

Indeed, an agency is a government-owned or controlled corporation when it is organized as a stock or non-stock corporation. A stock corporation is one that sources its capital through shares of stock and therefore has a share capital or capital stock, not just capital, whose capital stock is divided into shares, and who is authorized to distribute dividend to the holders of such share.^[22] A non-stock corporation, on the other hand, is one where no part of its income is distributable as dividends to its members, trustees, or officers. A non-stock corporation must have members.^[23]

Consequently, to be considered as a GOCC, an entity must either be organized as a stock or non-stock corporation. Three (3) requisites must concur for one to be classified as a stock corporation, viz: (1) it has **capital stock**, (2) the capital stock is divided into shares, and (3) it is authorized to distribute dividends and allotments of surplus and profits to its stockholders. As for non-stock corporations, they must have members and must not distribute any part of their income to said members.^[24]

Section 15 of the LRTA's Charter^[25] decrees:

Sec. 15. Capitalization. The Authority shall have an authorized capital of FIVE HUNDRED MILLION PESOS (P500,000,000.00) which shall be fully subscribed by the Republic of the Philippines and other government institutions, corporations, instrumentalities, and agencies, whether national or local, within the framework of their respective charters.