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Republic of the Philippines
Supreme Court
Manila

SUPREME COURT OF THE PHILIPPINES
PUBLIC INFORMATION OFFICE
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SECOND DIVISION

UNIVERSITY OF THE PHILIPPINES, G.R. No. 214044
Petitioner,

Present:

CARPIO, J., Chairperson,
PERLAS-BERNABE,
CAGUIOA,
REYES, J., JR., and
LAZARO-JAVIER, JJ.

- versus -

CITY TREASURER OF QUEZON CITY, Promulgated:
Respondent. 19 JUN 2019

x ----- *[Signature]* ----- x

DECISION

CARPIO, J.:

The Case

G.R. No. 214044 is a petition for certiorari and prohibition¹ filed by the University of the Philippines (UP) against the City Treasurer of Quezon City (City Treasurer) seeking to annul the Statement of Delinquency dated 27 May 2014 addressed to UP as well as the Final Notice of Delinquency dated 11 July 2014 which required UP to pay real property tax on a parcel of land covered by TCT No. RT-107350 (192689), which is currently leased to Ayala Land, Inc. (ALI). The petition also seeks to enjoin the City Treasurer, or any of his agents or representatives, from proceeding with the sale of the subject land at a public auction pursuant to the 11 July 2014 Final Notice of Delinquency.

¹ Under Rule 65 of the 1997 Rules of Civil Procedure.

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The Facts

In their submitted pleadings before this Court, both UP and the City Treasurer admitted that UP is the registered owner of a parcel of land covered by TCT No. RT-107350 (192689). UP entered into a contract of lease with ALI over the subject land on 27 October 2006.²

UP further narrated in its petition:

x x x x

5. UP is the registered owner of a parcel of land covered by and more particularly described in TCT No. RT-107530 (192689) of the Registry of Deeds of Quezon City, with an area of 985,597 square meters and located along Commonwealth Avenue, Diliman, Quezon City.

6. On 27 October 2006, UP entered into a *Contract of Lease with Development Obligations* with [ALI] over a portion of the aforementioned parcel of land containing an area of 380,630 square meters. The leased property is now known as the UP-Ayala Technohub.

7. In a *Notice of Assessment* addressed to ALI dated 23 August 2012, ALI was informed that the subject property has been “reclassified and assessed for taxation purposes with an assessed value of ₱499,500,000.00 effective 2009.”

8. In a letter to UP President Pascual dated 22 August 2012, the City Assessor of Quezon City informed UP that the aforementioned *Notice of Assessment* was served upon ALI as the entity liable for the real property tax on the subject property pursuant to Section 205(d) and Section 234(a) of the Local Government Code.

9. In a *Statement of Delinquency* dated 05 December 2012, addressed to the UP North Property Holdings, Inc., the [City Treasurer] demanded the payment of real property tax on the subject property amounting to ₱78,970,950.00 for the years 2009-2011 and the first three quarters of 2012.

10. In another letter to UP President Pascual dated 09 September 2013, the City Assessor of Quezon City furnished UP a copy of the letter of the Bureau of Local Government Finance (BLGF) of the Department of Finance [(DOF)] dated 01 August 2013, which opined that ALI is the party legally accountable for the real property taxes on the subject property. It was further stated that the City Assessor’s Office “will be sending the official Notice of Assessment and the corresponding Tax Declaration for the subject property under the name of [ALI]...”

11. In another *Statement of Delinquency* dated 24 September 2013, addressed to the UP North Property Holdings, Inc., the [City Treasurer] again demanded the payment of real property tax on the subject property in the updated amount of ₱102,747,150.00 for the years 2009-2012 and the first three quarters of 2013.

12. For the first time and without a prior *Notice of Assessment*, a *Statement of Delinquency* dated 27 May 2014 addressed to UP was issued

² Rollo, pp. 3, 126.



by the [City Treasurer] demanding the payment of real property tax on the subject property amounting to ₱106,992,990.00 for the years 2009 to 2013 and the first quarter of 2014.

13. In his letter to the City Treasurer of Quezon City dated 13 June 2014, UP President Pascual requested the postponement of any proceeding related to the aforementioned *Statement of Delinquency*. He explained –

We respectfully take exception to the Statement of Delinquency dated 27 May 2014 and the alleged delinquency of the University with respect to the payment of the real estate taxes. The University of the Philippines, as the National University, has been granted tax exemptions under Republic Act No. 9500, otherwise known as the University of the Philippines Charter of 2008, that are express, patent and unambiguous. The grant is exceedingly extensive that it provided the University the exemption from all taxes and duties vis-à-vis all revenues and assets used for educational purposes or in support thereof.

Moreover, in the letter of the Bureau of Local Government Finance (“BLGF”) dated 01 August 2013, addressed to the Hon. City Mayor, Herbert M. Bautista, the BLGF opined on the issue as to which party shall be accountable for the unpaid real estate taxes due on the thirty-seven (37) hectares of land owned by the University and being leased out to [ALI], the same property which is the subject of the Statement of Delinquency dated 27 May 2014. The BLGF concluded that “[ALI], being the lessee, is the legally accountable party to the unpaid real property taxes on the government-owned UP Property.” The foregoing opinion of the BLGF confirms that the University is exempt from real estate taxes, an absolute right that the University enjoys under R.A. No. 9500.

14. On 22 July 2014, UP received the *Final Notice of Delinquency* dated 11 July 2014 from the Office of the City Treasurer demanding the payment of real property tax on the subject property in the updated amount of ₱117,182,700.00 for the years 2009-2013 and the first three quarters of 2014.³

UP filed the present case before this Court within 60 days from receipt of the 11 July 2014 Final Notice of Delinquency.⁴

On 29 September 2014, we issued a Resolution⁵ which required the City Treasurer to file a Comment. We also issued a Temporary Restraining Order to enjoin the City Treasurer, his agents or representatives, from enforcing the Final Notice of Delinquency dated 11 July 2014 and proceeding with the sale of subject land at a public auction scheduled on 20 November 2014.

³ Id. at 3-5.

⁴ Id. at 3.

⁵ Id. at 71-72.



On 20 July 2015, we issued a Resolution⁶ requiring the City Treasurer to show cause why he/she should not be disciplinarily dealt with or held in contempt for failure to file comment before the period expired on 12 October 2014.

On 7 March 2016, we issued a Resolution⁷ imposing upon the City Treasurer a fine of ₱1,000.00 for failure to file comment, and required compliance within ten days from notice. On 20 July 2016, we issued a Resolution⁸ imposing upon the City Treasurer an increased fine of ₱2,000.00 for failure to file comment, and required compliance within ten days from notice.

On 18 August 2016, we received an Urgent Motion for Extension of Time with Manifestation⁹ from Ms. Ruby Rosa G. Guevarra (Ms. Guevarra), Acting Assistant City Treasurer of Quezon City. She alleged and manifested:

x x x x

2. That as early on [sic] April 15, 2016, herein respondent through its City Treasurer, Ms. Basilia S. Pacis and to date, through its Acting Assistant City Treasurer, sought for the legal assistance of Atty. Christian B. Valencia, City Legal Officer of the Local Government Unit, Quezon City, to prepare and file Comment to the instant Petition for Certiorari and Prohibition, as may be evidenced by the Indorsement dated August 11, 2016 and Indorsement dated August 15, 2016 true copies of them are hereto attached as Annexes “1” and “2” and made parts hereof[;]

To date, August 18, 2016, there was no prepared Comment by the City Legal Officer to be filed in the Honorable Court;

3. That to date, the undersigned, Ms. Ruby Rosa G. Guevarra is in [sic] the Acting Assistant City Treasurer of the Local Government Unit, Quezon City, as the City Treasurer, Ms. Basilia S. Pacis retired [from] said position as Treasurer;

4. That to date, the undersigned, Ms. Ruby Rosa G. Guevarra is looking for a counsel to help her in the preparation and filing of a Comment to the Petition for Certiorari and Prohibition;

5. That the amount of Two Thousand (₱2,000) Pesos, as fine for the non-filing of the Comment was paid, but the said payment shall be considered payment under protest, as the undersigned is unjustifiably failed [sic], refused and ignored to be legally assisted by the City Legal Officer of the Local Government Unit, Quezon City, for [sic] the preparation and filing the said required Comment[.]¹⁰

On 29 September 2016, Ms. Guevarra, as Officer in Charge of the City Treasurer’s Office, filed her Comment¹¹ which reads:

⁶ Id. at 95.

⁷ Id. at 99-100.

⁸ Id. at 104-105.

⁹ Id. at 114-119.

¹⁰ Id. at 114-115.

¹¹ Id. at 124-128.

1. That the relief prayed for in the instant Petition for Certiorari and Prohibition is the same allegation specifically stated in its body, that:

to annul the Statement of Delinquency dated 27 May 2014 and the Final Notice of Delinquency dated 11 July 2014.

WITH ALL DUE RESPECT, not within the province of the Honorable Court to adjudicate. Truth to tell, there must be [a] full-blown trial to be conducted by a trial court for the determination of the true facts whether to annul the said Statement of Delinquency dated 27 May 2014 and the Final Notice of Delinquency dated 11 July 2014. But, time and again, it is ruled that the Honorable Court is not a trier of facts.

In APQ Shipmanagemnet [sic] Co., LTD, versus Casenas, 725 SCRA 108, the Honorable Court reminded us:

The Supreme Court is not a trier of facts and, thus, its jurisdiction is limited only to reviewing errors of law.

2. That the respondent is not the real party-in-interest in the instant Petition for Certiorari and Prohibition[.]

3. That the petitioner failed to file the Motion for Reconsideration, when it admitted the receipt of the assailed Notice of Statement of Delinquency dated May 27, 2014 and the Final Notice of Delinquency dated July 11, 2014.

Thus, petitioner filed the Instant Petition without filing the appropriate motion to give the respondent the opportunity to correct its alleged error.

In Lanier versus People. 719 SCRA 477, the Honorable Court held:

Well-established is the rule that a motion for reconsideration is a condition *sine qua non* for the filing of a petition for certiorari.

x x x x

[7.] Most importantly, petitioner is not exempted from paying real property tax for its real property leased to [ALI] pursuant to the mandate of Section 205(d) and Section 234(a) of Republic Act No. 7160, otherwise known as "The Local Government Code of 1991[.]"

Admittedly, on October 27, 2006, petitioner entered into the Contract of Lease with [ALI], subject matter of which is petitioner's parcel of land covered by Transfer Certificate of Title No. RT-107350 (192689), now allegedly owned by UP North Property Holdings, Inc. Said leased [sic] of the real property belonging to the petitioner failed to pay the real property tax from 2009-2013 and the first three quarters of 2014.

In City of Pasig versus Republic, 656 SCRA 271, the Honorable Court unswervingly ruled:

Where the parcels of land owned by the Republic are not properties of public dominion, portions of the properties leased to taxable entities are not only subject to real estate

tax, they can also be sold at public auction to satisfy the tax delinquency.

Moreover, respondent merely followed the legal basis of the Department of Finance, that:

ALI (Ayala Land Inc.) is the party legally accountable for the real property taxes on the subject property.

[ALI] was duly notified of the subject Statement of Delinquency and other similar notices.¹²

On 28 November 2016, we issued a Resolution¹³ that, among others, noted Ms. Guevarra's Comment, and required UP to file a reply. UP, through the OSG, filed its Reply¹⁴ on 20 February 2017, where it addressed Ms. Guevarra's questions regarding the propriety of the remedy and the taxability of UP based on Republic Act No. 9500¹⁵ and on Section 133(o)¹⁶ of the Local Government Code.

The Issue

Petitioner UP raised only one issue before this Court:

WHETHER PETITIONER UNIVERSITY OF THE PHILIPPINES IS LIABLE FOR REAL PROPERTY TAX IMPOSED ON THE SUBJECT PROPERTY LEASED TO AYALA LAND, INC.¹⁷

The Court's Ruling

We grant the petition.

This Court has the power to decide the present case. Findings of fact are not necessary as the present petition asks to determine whether UP, as a chartered academic institution with specific legislated tax exemptions, is legally liable for the real property tax on the land leased to ALI. This issue is a pure question of law, not of fact.

The property subject of this case refers only to the parcel of land covered by TCT No. RT-107350 (192689). The improvements on this parcel of land that were introduced by ALI are not covered by the present case.

¹² Id. at 124-126.

¹³ Id. at 131-132.

¹⁴ Id. at 142-152.

¹⁵ Also, University of the Philippines Charter of 2008.

¹⁶ Section 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:

x x x x

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

¹⁷ *Rollo*, p. 5.

*Timeline of Events and
Applicable Laws*

The Contract of Lease (with Development Obligations) between UP and ALI was executed on 27 October 2006. The 4th Whereas Clause of the Contract described the project proposal, thus:

WHEREAS, in response to the LESSOR's aforementioned invitation, Ayala Land, Inc., in September 2005, submitted to the LESSOR a Development Proposal entitled "DEVELOPMENT PROPOSAL FOR UP NORTH SCIENCE & TECHNOLOGY PARK," dated August 1, 2005, and subsequently, presented to the then UP Board of Regents such proposal which is embodied in a presentation manual, entitled "DEVELOPMENT PROPOSAL FOR UP NORTH SCIENCE & TECHNOLOGY PARK," dated September 2005, both attached hereto and marked as Annexes "E" and "E-1," respectively (the "Development Proposals"), signifying therein its interest in leasing and developing the UP North S&T Park and proposing to lease and develop the UP North S&T Park Phase I according to its proposals, into a prestigious and dynamic science and technology park, where research and technology-based collaborative projects between technology and the academe thrive, thereby becoming a catalyst for the development of the information technology and information technology-enabled services;¹⁸

The Contract provided that ALI owns the improvements on the leased land:

3.2 PERMANENT IMPROVEMENTS; LESSOR TO BECOME OWNER OF PERMANENT IMPROVEMENTS AT END OF LEASE

x x x x

(c) Before the termination, expiration, or cancellation of this Contract prior to the lapse of the original Lease Term, all renovations, alterations, and improvements and the Permanent Improvements constructed during the original Lease Term shall be owned by, and shall be for the account of the LESSEE; x x x.¹⁹

As to real property taxes, the contract between UP and ALI stated:

12.2 REAL ESTATE TAXES ON LAND

Should real estate taxes be levied on the LEASED PREMISES, the LESSOR shall assume the payment of the real estate taxes on the land, while the LESSEE shall assume the payment of real property taxes on the improvements introduced on the LEASED PREMISES.²⁰

On 29 April 2008, Republic Act No. 9500, or the UP Charter of 2008, was signed into law. Republic Act No. 9500 addressed UP's real property and

¹⁸ Id. at 22.

¹⁹ Id. at 33-34.

²⁰ Id. at 45.

income derived therefrom in Sections 22 and 25(a). These sections read:

SEC. 22. *Land Grants and Other Real Properties of the University.* -

(a) The State shall support the University of the Philippines System as the national university in the form of lump sum amount, through general appropriations and other financial benefits, and in kind, through land grants and donations and use of other real properties. To carry out the intent of these grants, income derived from the development of all land grants and real properties shall be used to further the end of the national university, as may be decided by the board;

x x x x

(c) The Board may plan, design, approve and/or cause the implementation of land leases: *Provided*, That such mechanisms and arrangements shall sustain and protect the environment in accordance with law, and be exclusive of the academic core zone of the campuses of the University of the Philippines: *Provided, further*, That such mechanisms and arrangements shall not conflict with the academic mission of the national university;

(d) The Board may allow the use of the income coming from real properties of the national university as security for transactions to generate additional revenues when needed for educational purposes;

x x x x

SEC. 25. *Tax Exemptions.* - The provisions of any general or special law to the contrary notwithstanding:

(a) All revenues and **assets** of the University of the Philippines used for educational purposes or in support thereof shall be exempt from all taxes and duties;

x x x x (Emphasis supplied)

A letter,²¹ dated 22 August 2012 and addressed to the UP President from Mr. Rodolfo M. Ordanes, Officer In Charge, City Assessor (City Assessor), informed UP of the City Assessor's service of a Notice of Assessment to ALI. This Notice of Assessment had Sections 205 and 234 of the Local Government Code as its bases. On 23 August 2012, the City Assessor issued a Notice of Assessment²² to ALI. The notice stated that the land subject of the lease agreement with UP was reclassified and assessed for taxation purposes with an assessed value of ₱499,500,000.00 effective 2009. The pertinent provisions of Sections 205 and 234 read:

Section 205. *Listing of Real Property in the Assessment Rolls.* -

x x x x

²¹ Id. at 61-62.

²² Id. at 60.

(d) Real property owned by the Republic of the Philippines, its instrumentalities and political subdivisions, the beneficial use of which has been granted, for consideration or otherwise, to a taxable person, shall be listed, valued and assessed in the name of the possessor, grantee or of the public entity if such property has been acquired or held for resale or lease.

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;

x x x x

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.

The Local Government Code took effect on 1 January 1992.

On 5 December 2012, the City Treasurer issued a Statement of Delinquency²³ to UP North Property Holdings, Inc. for the period 2009 to 2011 and the first three quarters of 2012 in the total amount of ₱78,970,950.00. The total amount included the tax due and penalty.

Mr. Salvador M. Castillo, Officer-In-Charge, Executive Director of Bureau of Local Government Finance, Department of Finance (BLGF-DOF), sent a letter²⁴ dated 1 August 2013 to Quezon City Mayor Herbert M. Bautista (Mayor Bautista). This letter also referred to Sections 205 and 234 of the Local Government Code as bases to conclude that ALI, as the lessee, is the legally accountable party for the unpaid real property taxes due covering the “government-owned UP property.”²⁵ The 1 August 2013 letter from BLGF-DOF to Mayor Bautista also stated:

Evidently, real property owned by the Republic of the Philippines are exempt from payment of the real property tax. However, if the beneficial use thereof has been granted for consideration or otherwise to a taxable person, the subject real property shall: (1) be listed, valued and assessed in the name of the beneficial user; and (2) becomes taxable.

It is also worthy to note that as soon as the notice of assessment is served and received by the taxpayer, an obligation to pay the amount assessed and demanded arises (BLGF Memorandum Circular No. 04-2008, January 7, 2008)[.]

²³ Id. at 63.

²⁴ Id. at 65-67.

²⁵ Id. at 67.

As to the argument that as stipulated in the Lease Contract entered into by and between UP and Ayala Land Inc. that UP shall shoulder the real property taxes due on the subject property, please be informed of the Supreme Court Decision under G.R. No. 171586, dated July 15, 2009 (National Power Corporation vs. Province of Quezon and Municipality of Pagbilao), which is quoted in part, below:

x x x

Lastly, from the points of view of essential fairness and the integrity of our tax system, we find it essentially wrong to allow the NPC to assume in its BOT contracts the liability of the other contracting party for taxes that the government can impose on that other party, and at the same time allow NPC to turn around and say that no taxes should be collected because the NPC is tax-exempt as a government-owned and controlled corporation. We cannot be a party to this kind of arrangement; for us to allow it without congressional authority is to intrude into the realm of policy and to debase the tax system that the Legislature established. We will then also be grossly unfair to the people of the Province of Quezon and the Municipality of Pagbilao who, by law, stand to benefit from the tax provisions of the LGC.

x x x

Further, attention is likewise invited to the pertinent portion of another SC Decision (G.R. No. L-29772), in the case of the City of Baguio vs. Fernando S. Busuego, viz:

. . . when the GSIS sold the property and imposed said condition, the agency although exempt from the payment of taxes clearly indicated that the property became taxable upon its delivery to the purchaser and that **the sole determinative factor for exemption from realty taxes is the 'use' to which the property is devoted. And where the 'use' is the test, the ownership is immaterial.** (Martin on the Rev. Adm. Code, 1961, Vol. II, p. 487, citing Apostolic Prefect of Mt. Province vs. Treasurer of Baguio City, 71 Phil. 547). In the instant case, although the property was still in the name of the GSIS pending the payment of the full price, its use and possession was already transferred to the defendant.' Such contractual stipulation that the purchaser on installment pay the real estate taxes pending completion of payments, although the seller who retained title is exempt from such taxes, is valid and binding, absent any law to the contrary and none has been cited by appellant. x x x.

Similarly, therefore, we also deemed it essentially wrong being without congressional authority for UP to assume the real property tax liability of the Ayala Land, Inc. over the subject property. **Hence, we opine that the Ayala Land, Inc., being the lessee, is the legally accountable party to the unpaid real property taxes due on the government-owned UP property.**²⁶ (Underscoring, boldfacing and italicization in the original)

²⁶

Id. at 66-67.

On 24 September 2013, the City Treasurer issued a Statement of Delinquency²⁷ to UP North Property Holdings, Inc. The City Treasurer demanded payment of real property tax on the subject land in the amount of ₱102,747,150.00 for the years 2009 to 2012 and the first three quarters of 2013.

On 27 May 2014, the City Treasurer issued a Notice of Delinquency²⁸ to UP for the years 2009 to 2013 and the first quarter of 2014 in the total amount of ₱106,992,900.00. The total amount included the tax due and penalty. This was the first time that the City Treasurer demanded payment from UP of real property tax on the subject land. The City Treasurer sent the Notice of Delinquency to UP without any prior issuance of a Notice of Assessment.

On 13 June 2014, then UP President Alfredo E. Pascual (UP President Pascual) wrote then City Treasurer Edgar T. Villanueva (City Treasurer Villanueva) to address the Statement of Delinquency dated 27 May 2014. The pertinent portions of the letter read:

We write in connection with the Statement of Delinquency dated 27 May 2014 issued by your office, which the University received on 3 June 2014. In the Statement of Delinquency, the University was required to pay the real estate taxes on its property/ies, specifically on Tax Declaration E-128-00051, for the period from 2009 to the 1st quarter of 2014, which was noted to be in the total amount of Php106,992,900.00, including penalties. The University was given a period of ten (10) days from receipt of the Statement of Delinquency, or until 13 June 2014, to pay the said real estate taxes.

We respectfully take exception to the Statement of Delinquency dated 27 May 2014 and the alleged delinquency of the University with respect to the payment of real estate taxes. The University of the Philippines, as the National University, has been granted tax exemptions under Republic Act No. 9500, otherwise known as the University of the Philippines Charter of 2008, that are express, patent, and unambiguous. The grant is exceedingly extensive that it provided the University exemption from all taxes and duties vis-à-vis all its revenues and assets used for educational purposes or in support thereof.

Moreover, in the letter of the Bureau of Local Government Finance (“BLGF”) dated 1 August 2013, addressed to the Hon. City Mayor, Herbert M. Bautista, the BLGF opined on the issue as to which party shall be held accountable for the unpaid real estate taxes due on the thirty-seven (37) hectares of land owned by the University and being leased out to Ayala Land, Inc., the same property which is [the] subject of the Statement of Delinquency dated 27 May 2014. The BLGF concluded that “Ayala Land, Inc., being the lessee, is the legally accountable party to the unpaid real property taxes due on the government-owned UP property.” The foregoing opinion of the BLGF confirms that the University is exempt from real estate taxes, an absolute right that the University enjoys under [Republic Act] No. 9500.

²⁷ Id. at 68.

²⁸ Id. at 16.



Finally, while maintaining the position that the University is exempt from real estate taxes, we wish to point out that the University was not furnished any Notice of Assessment prior to the issuance of the Statement of Delinquency dated 27 May 2014.²⁹

On 11 July 2014, the City Treasurer issued a Final Notice of Delinquency³⁰ to UP for the years 2009 to 2013 and the first three quarters of 2014 in the total amount of ₱117,182,700.00. The total amount also included the tax due and penalty.

We reiterate that UP is a chartered academic institution with specific legislated tax exemptions. These tax exemptions come from the Local Government Code, as well as from its legislative charter, Republic Act No. 9500.

*Tax Exemption from
the Local Government Code*

One source of UP's exemption from tax comes from its character as a government instrumentality. Section 133(o) of the Local Government Code states that, unless otherwise provided by the Code, the exercise of taxing powers of the local government units shall not extend to levy of taxes, fees or charges of any kind on government instrumentalities.³¹

However, a combined reading of Sections 205 and 234 of the Local Government Code, previously quoted above, also provides for removal of the exemption to government instrumentalities when beneficial use of a real property owned by a government instrumentality is granted to a taxable person. Stated differently, when beneficial use of a real property owned by a government instrumentality is granted to a taxable person, then the taxable person is not exempted from paying real property tax on such property. This is the doctrine used by the City Assessor and the City Treasurer in the present set of facts. The City Assessor and the City Treasurer concluded that ALI is liable for the real property tax on the land that it leased from UP.

Republic Act No. 9500, however, gave a specific tax exemption to UP which covers the land subject of the present case. The City Assessor and the City Treasurer overlooked this specific exemption awarded to UP by Republic Act No. 9500. The legislative authority given to UP by Republic Act No. 9500 is the point where the present case differs from our ruling in *National Power Corporation v. Province of Quezon* (NPC case)³² which the BLGF-DOF cited in its letter addressed to Mayor Bautista.

²⁹ Id. at 69-70

³⁰ Id. at 17.

³¹ Supra note 16.

³² 610 Phil. 456 (2009).

*Tax Exemption from
Republic Act No. 9500*

It is clear from the timeline above that the date of effectivity of UP's legislative charter lies between the date of effectivity of the lease contract between UP and ALI and the dates of issuance of the Statement of Delinquency and Final Notice of Delinquency from the City Treasurer. Republic Act No. 9500, which took effect in 2008, was not yet enacted when UP and ALI entered into their lease contract in 2006. However, Republic Act No. 9500 was already operative when the City Treasurer issued the Statement of Delinquency and Final Notice of Delinquency to UP in 2014. Republic Act No. 9500 was also operative when the City Assessor issued a Notice of Assessment to ALI in 2012, a Statement of Delinquency to UP North Property Holdings, Inc. in 2012, and a Statement of Delinquency to UP North Property Holdings, Inc. in 2013.

The enactment and passage of Republic Act No. 9500 in 2008 superseded Sections 205(d) and 234(a) of the Local Government Code. Before the passage of Republic Act No. 9500, there was a need to determine who had beneficial use of UP's property before the property may be subjected to real property tax. After the passage of Republic Act No. 9500, there is a need to determine whether UP's property is used for educational purposes or in support thereof before the property may be subjected to real property tax.

In *University of the Phils. v. Judge Dizon*,³³ we stated:

The UP was founded on June 18, 1908 through Act 1870 to provide advanced instruction in literature, philosophy, the sciences, and arts, and to give professional and technical training to deserving students. Despite its establishment as a body corporate, the UP remains to be a "chartered institution" performing a legitimate government function. It is an institution of higher learning, not a corporation established for profit and declaring any dividends. In enacting Republic Act No. 9500 (*The University of the Philippines Charter of 2008*), Congress has declared the UP as the national university "dedicated to the search for truth and knowledge as well as the development of future leaders."

Irrefragably, the UP is a government instrumentality, performing the State's constitutional mandate of promoting quality and accessible education. As a government instrumentality, the UP administers special funds sourced from the fees and income enumerated under Act No. 1870 and Section 1 of Executive Order No. 714, and from the yearly appropriations, to achieve the purposes laid down by Section 2 of Act 1870, as expanded in Republic Act No. 9500. All the funds going into the possession of the UP, including any interest accruing from the deposit of such funds in any banking institution, constitute a "special trust fund," the disbursement of which should always be aligned with the UP's mission and purpose, and should always be subject to auditing by the COA.³⁴ (Citations omitted)

³³ 693 Phil. 226 (2012).

³⁴ Id. at 248-249.

In the present set of facts, both parties agree that UP owns the land subject of this case.

Section 22 of Republic Act No. 9500, previously quoted above, allows UP to lease and develop its land subject to certain conditions. The Contract of Lease between UP and ALI shows that there is an intent to develop “a prestigious and dynamic science and technology park, where research and technology-based collaborative projects between technology and the academe thrive, thereby becoming a catalyst for the development of the information technology and information technology-enabled service.”³⁵ The development of the subject land is clearly for an educational purpose, or at the very least, in support of an educational purpose.

UP President Pascual pointed out to City Treasurer Villanueva that Republic Act No. 9500 granted extensive tax exemptions to UP. More specifically, Section 25(a) of Republic Act No. 9500, previously quoted above, provided that all of UP’s “**revenues and assets used for educational purposes or in support thereof shall be exempt from all taxes and duties.**” Republic Act No. 9500 bases UP’s tax exemption upon compliance with the condition that UP’s revenues and assets must be used for educational purposes or in support thereof. There is no longer any need to determine the tax status of the possessor or of the beneficial user to further ascertain whether UP’s revenue or asset is exempt from tax.

Apart from the rule in statutory construction that a law that is enacted later prevails over a law that is enacted earlier because it is the latest expression of legislative will,³⁶ Sections 27 and 30 of Republic Act No. 9500 provide for rules of construction in favor of Republic Act No. 9500:

SEC. 27. Rules of Construction. - No statutory or other issuances shall diminish the powers, rights, privileges and benefits accorded to the national university under this Act or enjoyed at present, by it under other issuances not otherwise modified or repealed under this Act, unless subsequent legislation expressly provides for their repeal, amendment or modification. Any case of doubt in the interpretation of any of the provisions of this Charter shall be resolved in favor of the academic freedom and fiscal autonomy of the University of the Philippines.

SEC. 30. Repealing Clause. - Act No. 1870, as amended, and all laws, decrees, orders, rules, and regulations or other issuances or parts inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

³⁵ *Rollo*, p. 22.

³⁶ See *Development Bank of the Philippines v. Court of Appeals*, 259 Phil. 1096 (1989).

*Non-Applicability of
the NPC Case*

The facts of the present case are not on all fours with the facts in the NPC case. In the NPC case, the NPC assumed in its build-operate-transfer (BOT) contract with Mirant Pagbilao Corporation (Mirant) “all real estate taxes and assessments, rates and other charges in respect of the site, the buildings and improvements thereon and the [power plant].”³⁷ The Municipality of Pagbilao, Quezon assessed Mirant’s tax liabilities and furnished the NPC with a copy of the assessment letter. The NPC filed a petition before the Local Board of Assessment Appeals and objected to the assessment against Mirant. The NPC claimed tax exemptions or at least a reassessment for lower tax liability due to depreciation allowance and lower assessment level. The Local Board of Assessment Appeals, the Central Board of Assessment Appeals, and the Court of Tax Appeals all ruled against the NPC.

We ruled in the NPC case that the NPC has no right to protest the assessment on Mirant because the NPC is neither the owner nor the possessor or user of the subject machineries. Under the law, Mirant is liable for the said taxes based on its “ownership, use, and possession of the plant and its machineries.”³⁸ We further stated in the NPC case that the contractual stipulation between NPC and Mirant is entirely between them, and “does not bind third persons who are not privy to the contract x x x.”³⁹ Only Mirant can demand compliance from the NPC for the payment of the said taxes, and the Municipality of Pagbilao and the Province of Quezon cannot demand payment from the NPC. Neither can these local government units be compelled to recognize the NPC’s protest of the assessment.

We declared in the NPC case that it is “essentially wrong to allow the NPC to assume in its BOT contracts the liability of the other contracting party for taxes that the government can impose on that other party, and at the same time allow NPC to turn around and say that no taxes should be collected because the NPC is tax-exempt as a government-owned and controlled corporation.” This was the situation set up by UP with ALI in 2008, before the passage of Republic Act No. 9500. Before the passage of Republic Act No. 9500, it was essentially wrong for UP to assume in its lease contract with ALI the liability of ALI for real property taxes based on its beneficial use of the land, and then turn around and tell the City Treasurer that UP is exempt from paying taxes on the land because it is a government instrumentality.

We also declared in the NPC case that if we continue to allow what NPC did to the Province of Quezon without congressional authority, we “intrude into the realm of policy and to debase the tax system that the

³⁷ *NPC v. Province of Quezon*, supra note 32, at 470.

³⁸ *Id.*

³⁹ *Id.* at 472.

Legislature established.” The passage of Republic Act No. 9500 in 2008 obliterated what was essentially wrong in the lease contract between UP and ALI. The legislature established a tax system that allows UP to validly claim exemption from real property taxes on the land leased to ALI. Republic Act No. 9500 is UP’s congressional authority for this particular exemption from real property tax. Thus, when the City Treasurer addressed to UP the Statement of Delinquency dated 27 May 2014 and the Final Notice of Delinquency dated 11 July 2014 and required UP to pay real property tax on the subject land, UP was already authorized by the legislature to validly claim exemption from real property taxes on the land leased to ALI.

Considering that the subject land and the revenue derived from the lease thereof are used by UP for educational purposes and in support of its educational purposes, UP should not be assessed, and should not be made liable for real property tax on the land subject of this case. Under Republic Act No. 9500, this tax exemption, however, applies only to “assets of the University of the Philippines,” referring to assets owned by UP. Under the Contract of Lease between UP and ALI, all improvements on the leased land “shall be owned by, and shall be for the account of the LESSEE [ALI]” during the term of the lease. The improvements are not “assets” owned by UP; and thus, UP’s tax exemption under Republic Act No. 9500 does not extend to these improvements during the term of the lease.

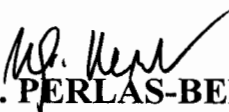
WHEREFORE, the petition is **GRANTED**. We **DECLARE** the University of the Philippines **EXEMPT** from real property tax imposed by the City Treasurer of Quezon City on the parcel of land covered by TCT No. RT-107350 (192689), which is currently leased to Ayala Land, Inc. Accordingly, we declare **VOID** the Statement of Delinquency dated 27 May 2014 as well as the Final Notice of Delinquency dated 11 July 2014 issued by the City Treasurer of Quezon City to the University of the Philippines in connection with the parcel of land covered by TCT No. RT-107350 (192689). Furthermore, the City Treasurer of Quezon City is permanently restrained from levying on or selling at public auction the parcel of land covered by TCT No. RT-107350 (192689) to satisfy the payment of the real property tax delinquency.

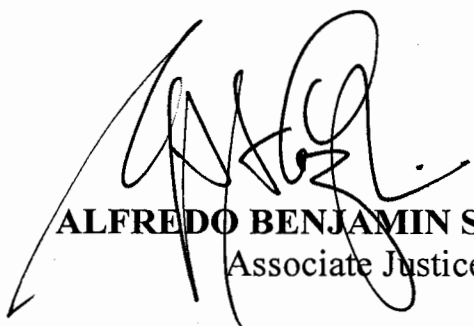
SO ORDERED.

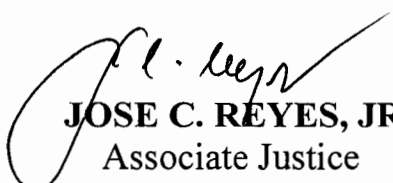


ANTONIO T. CARPIO
Associate Justice

WE CONCUR:


ESTELA M. PERLAS-BERNABE
Associate Justice



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice


JOSE C. REYES, JR.
Associate Justice


AMY C. LAZARO-JAVIER
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


ANTONIO T. CARPIO
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



LUCAS P. BERSAMIN
Chief Justice