

Title: Mactan Cebu International Airport Authority v. Hon. Ferdinand J. Marcos, et al.

Facts: The Mactan Cebu International Airport Authority (MCIAA), a government-owned corporation created under Republic Act No. 6958, managed the Mactan International Airport and Lahug Airport, among others. Section 14 of its charter granted exemption from realty taxes imposed by the National Government or its political subdivisions.

On October 11, 1994, the City of Cebu demanded payment of realty taxes on several parcels of land owned by MCIAA. Citing tax exemptions under its charter and the limitations imposed by Section 133 of the Local Government Code (LGC) of 1991, MCIAA refused to pay.

The City of Cebu argued that MCIAA's tax exemption was already repealed by virtue of Sections 193 and 234 of the LGC, which withdrew tax exemptions of government-owned or controlled corporations (GOCCs), except for those specifically provided in the LGC.

MCIAA paid the tax under protest and filed a petition for declaratory relief with the Regional Trial Court (RTC) of Cebu, which dismissed the case. The RTC ruled that the LGC expressly repealed the tax exemptions of GOCCs such as MCIAA. MCIAA claimed that it should be considered an instrumentality of the National Government and thus exempt from local taxes.

Issues:

1. Whether MCIAA, as a GOCC, is considered an instrumentality of the National Government and therefore exempt from local government unit (LGU) taxation.
2. Whether MCIAA's tax exemptions granted under its charter (R.A. No. 6958) have been repealed by the Local Government Code of 1991.

Court's Decision: The Supreme Court denied the petition and affirmed the RTC's decision and order. The court ruled that the LGC withdrew the tax exemptions previously granted to all persons and entities, including GOCCs such as MCIAA, except for those specifically provided for. The terms "National Government" and "Republic of the Philippines" are not interchangeable, and the phrase "Republic of the Philippines or any of its political subdivisions" in Section 234(a) of the LGC does not extend to Government agencies or instrumentalities like MCIAA.

Furthermore, the ownership of the parcels of land in question had been transferred to MCIAA, making it the owner, not merely a steward of property owned by the Republic. As

such, MCIAA cannot claim exemption based on the premise that the properties are owned by the National Government.

Doctrine: The doctrine established in the case is that taxation is the rule and exemption from taxation is the exception. The tax exemptions granted to government-owned or controlled corporations are withdrawn upon the effectivity of the LGC unless the exemptions are par the LGC's explicit provisions.

Historical Background: The context of the case reflects the shift in policy towards local government autonomy and the broader aims of the Local Government Code of 1991. The code advanced fiscal autonomy to LGUs, enhancing their power to create their own sources of revenue, and correspondingly, limited the scope of tax exemption privileges previously enjoyed by government entities and instrumentalities. The LGC represents a significant policy shift towards decentralization and empowerment of local governance in the Philippines.