

**\*\*Title: Meralco Securities Industrial Corporation vs. Central Board of Assessment Appeals\*\***

**\*\*Facts:\*\***

Meralco Securities Industrial Corporation (Meralco Securities) installed an oil pipeline system from Batangas to Manila, which traversed through Laguna for about thirty kilometers, adhering permanently to the land. The installation was authorized under the Pipeline Concession by the Petroleum Act of 1949, Republic Act No. 387. The pipeline, constructed with cylindrical steel pipes welded solidly, aimed to transport oil efficiently while preventing leaks.

Considering the pipeline system as real property, the Provincial Assessor of Laguna issued Tax Declarations, assessing the pipeline for realty tax purposes. Meralco Securities appealed these assessments to the Board of Assessment Appeals of Laguna, which upheld the assessor's decision. Subsequently, the Central Board of Assessment Appeals, upon Meralco Securities' further appeal, also sided with the Laguna assessor, finding the pipeline subject to realty tax. Dissatisfied, on June 6, 1977, Meralco Securities filed a petition for certiorari with the Supreme Court, arguing that the pipeline wasn't real property per Article 415 and was tax-exempt under the Petroleum Law.

**\*\*Issues:\*\***

1. Whether the oil pipeline system is subject to realty tax.
2. Whether the pipeline qualifies as real property under relevant laws.
3. Whether the Petroleum Act of 1949 exempts Meralco Securities from local taxes including realty tax.

**\*\*Court's Decision:\*\***

The Supreme Court dismissed the petition, affirming the decision and resolution of the Central Board of Assessment Appeals. It held that the pipeline system is subject to realty tax as it did not fall within any exempt category under the Real Property Tax Code. The steel pipes, welded solidly and meant to transport oil, were considered constructions adhered to the soil, therefore qualifying as real property. Additionally, the Court ruled that the realty tax is not a local tax but a tax of general application, enforceable throughout the Philippines, thereby not exempt under the provisions of the Petroleum Act of 1949.

**\*\*Doctrine:\*\***

The decision reiterated and clarified definitions regarding what constitutes real property for

taxation purposes. It underscored that machinery and improvements affixed or attached to real property are subject to realty tax unless specifically exempted. Moreover, it highlighted that exemptions under specific laws such as the Petroleum Act of 1949 would not apply to taxes of general application, including realty tax.

**\*\*Class Notes:\*\***

1. **\*\*Real Property\*\*** - Includes land, buildings, machinery, and other improvements affixed or attached to real property. (Presidential Decree No. 464, Real Property Tax Code)
2. **\*\*Taxation of Machinery\*\*** - Machinery used in connection with a permanent facility and intended for or essential to manufacturing, industrial, or agricultural purposes qualifies as real property for taxation purposes.
3. **\*\*Exemptions under Specific Laws\*\*** - Taxes of general application, including realty tax, are not covered by exemptions under specific laws unless expressly stated.

**\*\*Historical Background:\*\***

The historical backdrop of this case involves the complex interplay between national laws regulating corporate undertakings and local laws on taxation. Despite being granted a pipeline concession under the Petroleum Act of 1949, Meralco Securities faced local government assessments of its pipeline as real property subject to taxation. This confrontation underscored the tension between national development initiatives and the fiscal autonomy of local tax authorities, culminating in a legal assessment of what constitutes tax-exempt property under Philippine law.