

Title: Metropolitan Waterworks Sewerage System vs. Quezon City Government et al.

Facts:

- Creation and Capitalization**: On June 19, 1971, Republic Act No. 6234 was enacted, creating the Metropolitan Waterworks and Sewerage System (MWSS). It was mandated to ensure the supply of potable water and sewerage services and was initially without capital stock. This changed in 1974 through Presidential Decree No. 425, giving MWSS an authorized capital stock fully subscribed by the government.
- Tax Delinquency Notices**: In July 2007, MWSS received several notices of real property tax delinquency from the Quezon City government amounting to PHP 237,108,043.83. Each notice warned that failure to pay would result in the issuance of warrants of levy against its properties.
- Warrants of Levy and Notices of Sale**: On August 7, 2007, warrants of levy were issued by Quezon City's Treasurer, and on September 10, 2007, notices of sale were published, with an auction scheduled for September 27, 2007.
- Petition for Certiorari**: On September 26, 2007, MWSS filed a Petition for Certiorari and Prohibition in the Court of Appeals (CA) with a request for a temporary restraining order (TRO) and a writ of preliminary injunction. The CA issued a TRO on September 27, 2007, and later a writ of preliminary injunction on December 19, 2007.
- Court of Appeals Decision**: On October 19, 2010, the CA denied MWSS's petition, prompting MWSS to file a Petition for Certiorari with the Supreme Court on November 18, 2010. The Supreme Court granted a TRO on January 26, 2011.
- Auction Threats**: While the Supreme Court case was ongoing, the Quezon City Treasurer indicated intent to auction certain MWSS properties, which were not covered by the January 26, 2011 TRO. The Supreme Court issued another TRO on September 7, 2011, to stop the auction of the remaining properties.

Issues:

- Jurisdictional Error**: Did MWSS violate the hierarchy of courts by directly filing its case with the CA instead of the Regional Trial Court (RTC)?
- Real Property Tax Exemption**: Is MWSS exempt from real property tax under Section 133(o) of the Local Government Code or Republic Act No. 6234?

3. **Private Use**: Do any of MWSS's properties granted to private use void its tax exemption status?

Court's Decision:

1. **Hierarchy of Courts**: The Supreme Court upheld the CA's discretion to entertain the petition, given that it involved purely legal questions. The doctrine of hierarchy of courts aims to prevent congestion and ensure courts at appropriate levels handle cases adequately.

2. **Real Property Tax Exemption**: The Court ruled MWSS is a government instrumentality with corporate powers, exempt from real property tax under Section 133(o) of the Local Government Code. The properties of MWSS are public dominion, meant for public use, and it enjoys tax exemptions as directed by Republic Act No. 6234 and reiterated by specific Supreme Court precedents.

3. **Private Use**: The Court found no claims or proof that any MWSS properties were leased or used by private entities. In absence of such a situation, the properties remain exempt from real property tax.

Doctrine:

- **Government Instrumentality**: Agencies like MWSS, although generating income, serve public use and public domain purposes, falling under the government instrumentality category and are typically exempt from local taxes unless specific exemptions are repealed or modified by legislation.

- **Tax Exemption Criteria**: Properties directly used by government agencies or instrumentalities without benefitting private individuals or entities retain their tax-exempt status.

Class Notes:

- **Hierarchy of Courts**: Case doctrines emphasize the necessity for cases to proceed through the proper judicial hierarchy unless exceptional circumstances are evident.

- **Section 133(o), Local Government Code**: This section limits local government taxation powers, exempting the national government and its agencies.

- **Republic Act No. 6234 and Presidential Decree No. 425**: Legislative measures providing MWSS its corporate status and taxation exemptions.

Historical Background: The MWSS was initially created during a period when basic utilities were under direct governmental control. The shift towards privatization in the late 1990s, specifically under the National Water Crisis Act of 1995, saw the transformation of

MWSS operations, although the agency's properties retained their public service and tax-exempt characteristics.

Together, this decision and historical context underscore the judiciary's balancing act in modernizing public utility management while maintaining necessary legal protections for essential public services and infrastructure.