

Title: Light Rail Transit Authority v. Quezon City

Facts:

The Light Rail Transit Authority (LRTA) was established through Executive Order No. 603 (EO 603) on July 12, 1980, primarily to construct, operate, and maintain the light rail transit system in the Philippines. It acquired properties and began operations in 1984. On October 12, 2000, the Supreme Court ruled in *LRTA v. Central Board of Assessment Appeals (CBAA)* that the LRTA's properties, including lands and terminal stations, were patrimonial properties and thus subject to real property tax.

On October 15, 2007, LRTA received notices of tax delinquency from Quezon City. LRTA contended that the ruling in the subsequent case of *MIAA v. Court of Appeals* rendered it a government instrumentality exempt from real property tax. Despite continuous communication, Quezon City issued warrants and auctioned LRTA's properties for lack of tax payment. As no interested bidders emerged, Quezon City acquired the properties following Republic Act 7610.

On April 6, 2010, Quezon City again auctioned additional LRTA properties, purchased similarly for delinquent taxes.

LRTA filed a petition for certiorari, prohibition, and injunction against Quezon City on April 4, 2011, contending its status as a government instrumentality exempted it from property tax under *MIAA v. CA*. The Regional Trial Court ruled that LRTA was a taxable entity, dismissing the petition on March 5, 2015, and denying the motion for reconsideration on November 3, 2015. LRTA then filed the present Petition for Review with the Supreme Court.

Issues:

1. Whether LRTA is a Government-Owned and Controlled Corporation (GOCC) or a government instrumentality.
2. Whether the LRTA's properties are subject to real property tax.

Court's Decision:

The Supreme Court ruled that the LRTA is not a GOCC but a government instrumentality with corporate powers. The ruling separated the definition of a GOCC from an entity like LRTA, highlighting that GOCCs must be stock or non-stock corporations, neither of which applied to LRTA. The Administrative Code of 1987 and RA No. 10149 classify government instrumentalities with corporate powers, such as LRTA, as exempt from local government taxation under Section 133(o) of the Local Government Code.

The Court found that the properties utilized by LRTA for the light rail transit system serve a public purpose and are therefore properties of public dominion. Properties of public dominion are meant for public use and welfare, exempting them from real property tax, a principle affirmed in decisions such as *MIAA v. CA* and *Philippine Fisheries Development Authority v. Court of Appeals*.

Thus, the LRTA's properties were exempt from real property tax, rendering the tax assessments and auction of LRTA's properties by Quezon City void.

Doctrine:

The doctrine established in this case reiterates that a government instrumentality vested with corporate powers is exempt from real property taxes. This exemption extends when such properties are intended for public use and welfare. This decision aligns with the principles established in *MIAA v. CA*, emphasizing that local governments cannot tax national government instrumentalities unless explicitly authorized by legislation.

Class Notes:

1. Government-Owned and Controlled Corporations (GOCCs): Entities organized as stock or non-stock corporations, either wholly or majority-owned by the government.
2. Government Instrumentality: Any agency not integrated within the department framework, vested with corporate powers, operational autonomy, special functions, and administers special funds.
3. Properties of Public Dominion: Owned by the Republic of the Philippines for public use, exempt from taxation, levy, and encumbrance.
4. Section 234 of the Local Government Code: Exempts real properties owned by the Republic of the Philippines from local taxation.
5. Section 133(o) of the Local Government Code: Prohibits local governments from taxing the national government's agencies and instrumentalities.
6. Section 15, Executive Order 603 (LRTA Charter): Establishes the LRTA's capitalization without share capital or stockholders, emphasizing its instrumental function in public transportation.

Historical Background:

The case context traces back to the need for an effective public transportation system and the establishment of the LRTA in 1980. It reflects the balance between local government taxation powers and exemptions for national government instrumentalities providing critical public infrastructure. The ruling contextualizes evolving doctrines regarding how entities

providing public services are treated under fiscal legislation, considering practical and policy considerations vital to public welfare and economic development. The substantial analogy to precedents such as *MIAA v. CA* underscores continuity and adaptation in legal interpretations reflecting contemporary public needs and governance structures.