

Title: Republic of the Philippines v. City of Parañaque

Facts:

1. **Background:** The Public Estates Authority (PEA), created by Presidential Decree No. 1084 in 1977, was designed to manage and develop reclamation projects on behalf of the government. In 2004, it was renamed the Philippine Reclamation Authority (PRA).
2. **Reclaimed Lands:** PRA reclaimed several portions of Manila Bay, including properties in Parañaque City, and obtained certificates of title for these lands.
3. **Tax Assessment and Levy:**
 - On February 19, 2003, Parañaque City Treasurer issued warrants of levy on PRA's reclaimed properties for tax delinquencies for the years 2001 and 2002.
4. **RTC Proceedings:**
 - On March 26, 2003, PRA filed a petition for prohibition with a request for a Temporary Restraining Order (TRO) against the levy.
 - The TRO request was denied on April 3, 2003.
 - A public auction took place on April 7, 2003, despite PRA's request for deferment.
 - PRA's motion for a writ of preliminary injunction was denied on April 25, 2003, as the auction had already occurred.
5. **RTC Ruling:**
 - On January 8, 2010, the Regional Trial Court ruled that PRA was liable for the taxes, classifying PRA as a government-owned and controlled corporation (GOCC) and therefore taxable under the Local Government Code (LGC).
 - PRA filed a petition for certiorari against this order.

Issues:

1. **Tax Exemption Status:** Whether the PRA, as an incorporated instrumentality of the National Government, is exempt from real property taxes under Sections 234(a) and 133(o) of the Local Government Code (LGC).
2. **Nature of Reclaimed Land:** Whether reclaimed lands managed by PRA remain part of the public domain and thus are exempt from real property tax.

Court's Decision:

- **Classification of PRA:**
- The Supreme Court ruled PRA was not a GOCC as defined in Section 2(13) of the Administrative Code of 1987, because it lacked the attributes of a stock corporation (e.g.,

distribution of dividends).

- **Instrumentality of the Government:**

- The Court held PRA was a government instrumentality vested with corporate powers and performing essential public services and therefore exempt from local taxation by virtue of Sections 234(a) and 133(o) of the LGC.

- **Public Domain Status:**

- Reclaimed lands managed by PRA were held to remain part of the public domain, as they had not been classified as alienable or disposable lands no longer needed for public service. Consequently, these lands were not subject to real property tax.

- **Invalid Tax Assessment:**

- The tax assessments and levy, as well as the auction sale and subsequent certificates of sale, were declared null and void.

Doctrine:

- **Government Instrumentalities vs. GOCCs:**

- An entity must be organized as a stock/non-stock corporation to be classified as a GOCC. Mere vesting of corporate powers does not suffice.

- **Tax Exemption of Government Instrumentalities:**

- Government instrumentalities performing essential government functions are exempt from local taxes under Sections 234(a) and 133(o) of the Local Government Code.

Class Notes:

- **Key Elements:**

- **GOCC Definition:** For an entity to be classified as a GOCC, it must have capital stock divided into shares and be authorized to distribute dividends (Section 2(13), Administrative Code).

- **Real Property Tax Exemptions:** Section 234(a) of the LGC exempts properties owned by the national government or its instrumentalities unless beneficial use is granted to a taxable entity.

- **Local Tax Limitation:** Section 133(o) of the LGC prohibits local governments from taxing national government agencies and instrumentalities.

- **Statutory Provision Citations:**

- **Local Government Code Sections 234(a) and 133(o):** These sections collectively restrict local governments from taxing properties owned by the national government or its instrumentalities.

Historical Background:

- The Philippine Reclamation Authority (PRA), initially the Public Estates Authority (PEA), was established to undertake reclamation projects and optimize land use for public interest. The issue of taxation arose as local governments sought to include these lands, which affected PRA due to its pivotal role in national projects. By classifying reclaimed lands as public domain and asserting PRA's status as a government instrumentality, this decision emphasizes the autonomy and special functions of national governmental bodies in the context of local taxation.

This ruling aligns with the constitutional principle that local governments cannot tax national government entities, reinforcing the distinct separation of powers and duties within the government's framework.