

Title: **Privatization and Management Office v. Court of Tax Appeals and City Government of Tacloban**

Facts:

1. **Ownership and Lease of Property:**

- The Privatization and Management Office (PMO), the Province of Leyte, and the Philippine Tourism Authority (PTA) are the co-owners of Leyte Park Hotel, Inc. (LPHI) located within the territorial jurisdiction of the City Government of Tacloban.

- LPHI's facilities were leased to Unimaster Conglomeration, Inc. (UCI) for a monthly rental of PHP 300,000 for 12 years.

2. **Demand for Real Property Taxes:**

- The City Government of Tacloban sent multiple demand letters to UCI for real property taxes amounting to PHP 23,377,353.08, which remained unpaid despite the repeated demands.

3. **Filing of Complaint:**

- On December 15, 2004, the City Government of Tacloban filed a complaint for the collection of the sum of money before the Court of Tax Appeals (CTA) Special First Division against LPHI and UCI, later amending the complaint to include the Province of Leyte, PTA, and the PMO as additional defendants.

4. **CTA Decision:**

- The CTA Special First Division ruled on November 15, 2011, holding UCI liable for the unpaid real property taxes. UCI's motion for reconsideration was denied, leading them to file a Petition for Review with the CTA En Banc.

5. **Interim Warrants Issued:**

- Despite the CTA's denial of the City's Motion for Execution Pending Appeal, the City issued warrants of levy against the petitioner's properties to prepare for a public auction.

6. **Motion for Suspension:**

- Petitioner PMO filed a Motion for Suspension of Collection of Real Property Tax and Cancellation of Warrants of Levy on December 6, 2012, which was conditionally granted by the CTA En Banc on February 7, 2013, requiring a surety bond of one and one-half times the amount sought.

7. **Further Proceedings and Appeal to Supreme Court:**

- The PMO filed a Motion for Exemption from Posting Surety Bond, which the CTA denied on grounds of mootness as the PTA had already posted the bond. PMO's subsequent Motion for Reconsideration was also denied on January 29, 2014.
- The PMO then filed a Petition for Certiorari with the Supreme Court contending that as a national government agency, it should be exempt from posting a surety bond.

Issues:

1. **Whether the PMO is exempt from posting a surety bond as a condition to suspend the collection of real property tax.**
2. **Whether the method employed by the City Government of Tacloban to collect the real property taxes prejudiced the petitioner and contravened existing law and jurisprudence.**

Court's Decision:

In resolving the issues, the Supreme Court ruled as follows:

1. **Exemption from Surety Bond:**

- The Supreme Court emphasized that the requirement for a surety bond is meant to ensure the payment of taxes should the case be finally decided against the taxpayer. However, the Republic and its agencies are presumed solvent, and thus, they should not be required to file a bond.
- The petitioner's status as a government entity means that requiring a surety bond is indirectly requiring the State to post the bond, which is unnecessary due to its presumed solvency.
- The Court set aside the CTA's resolutions that required the PMO to post a surety bond and directed the CTA to release the GSIS Surety Bond posted by the PMO.

2. **Contravention of Law by the City:**

- The Court found that the City Government of Tacloban's issuance of warrants of levy against the petitioner's property was in violation of existing laws, given that the property in question is of public dominion and cannot be subject to public auction.
- Real property tax liability rests on the beneficial user, UCI, not the petitioner. The City should pursue collection from UCI through legal means other than auctioning the property owned by the government entities.

Doctrine:

1. **Exemption of Government Entities from Filing Surety Bonds:**

- Government agencies and instrumentalities are not required to file a surety bond due to

their presumed solvency.

- **Case Reference: The Collector of Internal Revenue v. Reyes**
- **Spouses Pacquiao v. Court of Tax Appeals**

2. **Properties of Public Dominion:**

- Properties owned by the government (public dominion) cannot be subject to auction for tax delinquency.
- **Article 420, Civil Code of the Philippines**

Class Notes:

- **Exemption from Bond:** Government entities are exempt from posting surety bonds in tax cases.
- **Real Property Tax Liability:** Liability belongs to the beneficial user of the property under lease.
- **Public Auction Restrictions:** Government property cannot be auctioned for tax delinquency.
- **Statutory Provisions:**
 - Article 420, Civil Code: Defines properties of public dominion.
 - Section 9, RA 9282: Governs suspension of tax collection by the CTA.
- **Key Case Laws:**
 - **The Collector of Internal Revenue v. Reyes:** Exempts the government from filing surety bonds.
 - **Spouses Pacquiao v. Court of Tax Appeals:** Confirms non-requirement of bonds when the tax collection method is unlawful.

Historical Background:

- **Context in the Tax Collection Framework:** This case underscores the procedural and jurisdictional expansions of the Court of Tax Appeals (CTA) and the legal framework surrounding the collection of real property taxes within local government units.
- **Taxation of Government-Leased Properties:** Highlights evolving jurisprudence on the taxation of real properties owned by the national government but leased to private entities, reinforcing the taxable status of the beneficial user while protecting public domain properties from inappropriate collection methods.