

**MANILA RAILROAD COMPANY, PLAINTIFF AND APPELLANT, VS.
CITY OF DAGUPAN, ET AL., DEFENDANTS AND APPELLEES.***G.R. No. 16596. April 26, 1961*

Ponente: REYES, J.B.L., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-16596/>**REYES, J.B.L., J.:**

Appeal on pure questions of law from the decision of the Court of First Instance of Pangasinan dismissing plaintiff's complaint for the refund of P87.60 paid under protest by it as real estate taxes to the City of Dagupan.

The only issue raised here and in the court a quo is whether or not certain parcels of land situated in Dagupan City, otherwise known as Cadastral Lots Nos. 8942, 8713, 3212, 358, 357, 4193, 6369, and 6444, owned by the Manila Railroad Company and leased by it to private individuals, are exempt from the payment of real estate taxes to defendant city in view of plaintiff company's charter (Act No. 1510), the pertinent portions of which read:

"12. In consideration of the premises, and of the granting of his concession or franchise, there shall be paid by the grantee to the Philippine Government, annually, for the period of thirty (30) years from the date hereof an amount equal to one half of one (½%) per cent of the gross earnings of the grantee in respect of lines covered hereby for the preceding year; after said period of thirty (30) years, and for fifty (50) years thereafter, the amount so to be "paid annually shall be an amount equal to one and one-half (1-½%) per cent of such gross earnings for the preceding year; and after such period of eighty (80) years the percentage and amount so to be paid annually by the grantee shall be fixed by the Philippine Government.

"Such annual payments, when promptly and fully made by the grantee, shall be in lieu of all taxes of every name and nature—municipal, provincial, or central—upon its capital stock, franchise, right of way, earnings, and all other property owned or operated by the grantee under this concession or franchise."

In its appeal from the lower court's verdict of dismissal, plaintiff company insists that the foregoing text of its charter confers unqualifiedly a tax exemption on all properties owned by it. We do not think so. The phrase "under -this concession or franchise" qualifying" both terms "owned" and "operated" indicates that mere ownership is not enough, but that the exemption is limited only to such activities pursued, or properties held, for the proper accomplishment of the stated purposes of the corporation, i. e., "to locate, construct, equip, maintain, and operate certain railways * * * (see Sec. 1, Act 1510). That the charter did not envision the acquisition or holding of private lands by the appellant for purposes foreign to its ends—and, therefore, did not likewise contemplate a tax exemption thereon—is apparent from the other provisions of the enabling act, thus:

"The grantee shall also have the right to acquire from corporations, or private individuals, by purchase, contract, lease, grant, or donation, any lands which may be necessary or useful for the construction, maintenance, and operation of the said lines of railway, or any of them.

The grantee shall also have the right to acquire by condemnation the lands necessary for the right of way, for bridges, for terminals, including wharves and docks at harbor points and elsewhere, for sidings, stations, engine houses, water stations, and other appropriate buildings and structures for the proper and convenient

construction, operation, and maintenance of the lines of railway herein authorized: * * *." (Sec. 1, No. 2, fourth and fifth pars., Act No. 1510). (Italics supplied)

The above conclusion accords with the general view in American law:

"The general rule is that the exemption of the property of a railroad company includes the road and such property as is necessary and is used for the operation of the road, and grain elevators, warehouses and docks used in the transportation of the railroad's freight or to store the same for a reasonably short time while awaiting delivery to the consignee. But the exemption does not include grain elevators and other structures which have been leased by a railroad company to private parties, or dwelling houses for the occupancy of workmen, hotels designed primarily for the accommodation of travelers upon the railroad, or timbeilands acquired for sleepers and ties." (51 Am. Jur., p. 571). (Italics supplied)

In this case, there is not the slightest showing that the lots here involved are owned and held by the company pursuant to its authorized business; on the contrary, it is made to appear that said parcels of land are being rented to private individuals—thus failing to establish, even remotely, a purpose useful or necessary to the proper accomplishment and operation of its enfranchised undertakings. We do not believe that the tax exemption in plaintiffs franchise was intended to enable it to accumulate tax free assets and profits without devoting them to the extension of its lines and the improvement of its services.

Wherefore, the judgment of the lower court appealed from is affirmed, with costs against appellant Manila Railroad Company.

Bengzon, Acting C.J., Padilla, Bautista Angelo, Labrador, Concepcion, Barrera, Paredes, and Dizon, JJ., concur.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.