REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL FIRST DIVISION

TACLOBAN CITY GOVERNMENT, represented by OIC CITY TREASURER, CESAR SEPARA,
Plaintiff,

-versus-

LEYTE PARK HOTEL, INC., as represented by its owners namely : PROVINCE OF LEYTE, represented by LEYTE GOVERNOR JERICHO PETILLA; PHILIPPINE TOURISM AUTHORITY (PTA), represented by its GENERAL MANAGER ROBERT DEAN BARBERS; ASSET PRIVATIZATION TRUST (APT), represented by its CHIEF EXECUTIVE TRUSTEE, MR. GONAZALO T. SANTOS, JR.; its Administrator: MR. WILSON CHAN; and UNIMASTERS CONGLOMERATION, INC., represented by its PRESIDENT, WILSON CHAN,
Defendants.

CTA OC NO. 012

Members:
Acosta, *Chairperson,*
Bautista, *and,*
Casanova, *JJ.*

Promulgated:

NOV 15 2011 ; 2:00 pm

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DECISION

BAUTISTA, J.:

This is a case for the collection of a sum of unpaid realty taxes filed by the City Government of Tacloban, as represented by OIC City Treasurer Cesar Separa against Leyte Park Hotel, Inc., as represented by its owners, the Province of Leyte, Asset Privatization Trust (now known as Privatization and Management Office), and the Philippine Tourism Authority; and/or against the lessee of the property in

question, Unimasters Conglomeration, Inc., as represented by its President, Mr. Wilson Chan.

The Parties

Plaintiff, Tacloban City Government, represented by OIC City Treasurer Cesar Sapara, is a local government unit, with postal address at Tacloban City Hall, Kanhuraw Hill, Tacloban City.

On the other hand, the defendants are, Leyte Park Hotel, Inc. ("LPHI"), with address at Magsaysay Boulevard, Tacloban City, and Unimaster Conglomeration, Inc. ("UCI"), represented by its President, Mr. Wilson L. Chan, is a corporation duly organized and existing under the laws of the Republic of the Philippines with principal place of business at 17 Justice Romualdez St., Tacloban City.

LPHI is owned by the Province of Leyte, as represented by its Governor Jericho Petilla, with postal address at the Provincial Capitol, Tacloban City, Leyte, together with the Asset Privatization Trust ("APT"), represented by its Chief Executive Trustee, Mr. Gonzalo T. Santos, a government agency created pursuant to Proclamation No. 50, as amended, with business address at the 10th Floor, BA Lepanto Building, 8747 Paseo de Roxas, Makati City; and the Philippine Tourism Authority ("PTA"), represented by its General Manager Robert Dean Barbers, also a government agency attached to the Department of Tourism, with principal office at Agripina Circle, Rizal Park, Manila.

The Facts

On September 15, 1994, the owners of the LPHI, except the Province of Leyte, entered into a Contract of Lease with UCI for the lease of the Leyte Park Hotel for a period of twelve (12) years.

On even date, the owners of LPHI executed a Memorandum of Agreement regarding the lease of the Leyte Park Hotel.

During its corporate existence, it incurred loan obligations from the Development Bank of the Philippines ("DBP") in the amount of Php187,062,161.00 as of December 31, 1981.[1]

On January 19, 1990, APT instituted foreclosure action against the real and personal properties of LPHI before the Regional Trial Court of Tacloban through the Office of the Clerk of Court and Ex-Officio Sheriff.[2]

On March 8, 1990, a certificate of sale (extra-judicial foreclosure of chattel mortgage) covering the chattels of LPHI was issued by Deputy Sheriff Luia Capuaco.

On September 25, 1990, the Province of Leyte filed a civil case before the Regional Trial Court of Tacloban (entitled *"Province of Leyte v. Leyte Park Hotel, Inc., Philippine Tourism Authority, The Development Bank of the Philippines, the Asset Privatization Trust, Benjamin "Kokoy" Romualdez, Cesario Sudario, Jr. and the Provincial Sheriff"*).[3]

On May 5, 1994, a decision based on Compromised Agreement was promulgated by the Regional Trial Court of Tacloban, which read as follows:

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[1] *Records*, at pp. 1050.
[2] *Id.*
[3] *Id.*

1. APT shall foreclose the subject real property, after which it shall have full power and authority to dispose or sell the real and personal properties comprising Leyte Park Hotel on behalf of the parties herein;

2. The net sales proceeds of the assets shall be shared by the parties as follows:

   APT 34%
   Province of Leyte 26%
   Philippine Tourism Authority 40%

3. Any and all offers of third parties to purchase the assets received by one of the parties shall be communicated to the others, and the base price, selling price and the name of the buyer shall also be communicated to the other parties for their approval before any sale is consummated.

4. That expenses incurred in conjunction with the sale of said properties, as well as taxes and separation benefits of all LPH personnel, shall be borne proportionately by the parties in accordance with the extent and amount of their respective shares as above specified." [4]

On September 15, 1994, a Contract of Lease was entered into by APT, as representative of the owners of Leyte Park Hotel, and UCI. Among the pertinent provision stated in the contract of lease is payment of real property taxes, which states that:

> "11.04. Real property taxes shall be for the account of the LESSOR. Any payment of real property taxes by the LESSEE shall be credited against any amount due from the LESSEE to the LESSOR." [5]

On the same date, a Memorandum of Agreement (MOA) was executed by and between the APT, Province of Leyte and PTA. The said parties agreed, among others, to the following:

[4] *Id.*, at pp. 1051.
[5] *Id.*

"WHEREAS, under the aforementioned compromise agreement, it was agreed among the parties that should APT be able to dispose and sell the real and personal properties comprising the Leyte Park Hotel, the net sales proceeds of said assets shall be shared by the parties as follows:

APT 34%
Province of Leyte 26%
Philippine Tourism Authority 40%

WHEREAS, APT, for and in behalf of the parties, is leasing the Leyte Park Hotel to Unimasters Conglomeration Incorporated under the contract of lease dated September 15, 1994, (the "[L]ease [C]ontract"), a copy of the lease contract is hereto attached as annex "A" hereof;

WHEREAS, the parties have agreed that the net rental proceeds under the Lease Contract, shall be shared among the parties in the same proportion as the sales proceeds, set forth above;

WHEREAS, the parties have agreed that taxes on the Leyte Park Hotel including back taxes and all expenses incurred in conjunction with the lease of the said properties shall be borne proportionally by the parties in accordance with the extent and amount of their respective shares as above specified;

WHEREAS, the LESSEE under the lease contract has undertaken to advance the payment accrued utility bills which remain unpaid at the time of the execution of the contract of lease subject to the reimbursement of APT;

WHEREAS, the shares of PTA and the province of Leyte in the rental payments under the lease contract shall be held by APT until such time that the advances made by the LESSEE under the WHEREAS clause immediately preceding have been liquidated in full." [6]

The Leyte Park Hotel facilities were leased out to UCI for Php300,000.00 per month for twelve (12) years. In addition to the monthly lease payments, UCI committed to invest a minimum of fifty million pesos for the rehabilitation,

[6] *Id.*, at pp. 1052.

reconstruction, and repair of the hotel over a period of six (6) years from October 1994 as specified in the Contract of Lease.[7]

Meanwhile, the City of Tacloban sent several demand letters to Mr. Wilson Chan for him to pay the real property taxes of Leyte Park Hotel. As assessed by the City Assessor, the total unpaid real property taxes of Leyte Park Hotel amounted to TWENTY THREE MILLION THREE HUNDRED SEVENTY SEVEN THOUSAND THREE HUNDRED FIFTY THREE PESOS & 08/100 (Php23,377,353.08). Because of non-payment of real property taxes, the City of Tacloban filed a complaint for collection of sum of money.[8]

Thus, plaintiff filed the present Complaint on December 15, 2004,[9] which impleads LPHI and UCI and prays for the following:

1. Ordering the defendants to pay plaintiff the amount of TWENTY THREE MILLION THREE HUNDRED SEVENTY-SEVEN THOUSAND THREE HUNDRED FIFTY-THREE PESOS & 08/100 (P23,377,353.08);

2. Ordering the defendants to pay plaintiff the amount of One Hundred Thousand Pesos (P100,000.00) as and by way of exemplary damages;

3. And such other relief that may be just and equitable under the premises.

On March 10, 2005, defendant UCI filed its Answer,[10] with the following Special and Affirmative Defense and Allegations:

> "13. The party representative, merely the Officer-in-Charge, who filed the instant case and verified the Complaint is without capacity or authority and discretion to file this case, hence the instant case should be dismissed under the rules. The representative is only an OIC

[7] *Id.*, at pp. 1053.
[8] *Id.*
[9] *Id.*, at pp. 2-25, with Annexes.
[10] *Id.*, at pp. 34-41.

Treasurer who does not have the authority to perform the discretionary powers of that office;

14. The owners are not exempt from payment of realty taxes because they leased Leyte Park Hotel through their trustee to defendant Unimasters in the exercise of its ***proprietary*** function. Having done so, it placed the property under the commerce of man and it divested itself of its sovereign capacity and became bound to the terms of said contract of lease, being a business or commercial transaction. According to the terms of the aforesaid contract, the owners of the subject property undertook to pay the realty taxes thereon. The realty tax is a tax on the ***res*** or property itself and not on the enjoyment or use thereof, hence, the owners should be the ones to pay the same. Defendant Unimasters is a mere user or enjoyer of the property in its capacity as a lessee, it cannot be obligated to pay any lien over the ***res*** itself. Plaintiff therefore has no cause of action against defendant Unimasters;

15. The Contract of Lease between the owners of the property and defendant Unimasters expressly ***exempts*** the latter from realty tax obligation. To hold otherwise would violate the constitutional rights of the said defendant to ***non-impairment of contracts***;

16. The plaintiff is ***estopped*** from recovering the amount prayed for from Defendant Unimasters. Plaintiff already made demand upon the owners of the subject property for payment of realty taxes. In fact, the APT ***acknowledged its taxability*** and expressed its willingness to pay; (See attached Letter of APT and made part hereof as ANNEX "1")

17. Even granting without admitting that Defendant Unimasters is liable to pay realty taxes for the lease and use of the subject property, still the plaintiff cannot collect the amount prayed for as most of the claims has already prescribed;

18. With due respect this Honorable Court, CTA, has no jurisdiction over the case and defendant Unimasters because to exercise exclusive original jurisdiction, requires of a final and executory assessment for taxes, which is not existing in this case for the simple reason that defendant is not the owner of the res. Assessment would not and could not as yet attach until a definite determination of taxability has been ordered collected by a court of competent jurisdiction. That declaration of ***taxability*** by final judgment has yet to attach on the defendant Unimasters and only then could a final and executory assessment would toll and grant this Honorable Court its jurisdiction."

Further, it posted Counterclaims as follows:

> "19. The baseless demands made by [p]laintiff upon defendant Unimasters for the payment of real property taxes on the Leyte Park Hotel property has besmirched the reputation of the said defendant. The negative image painted by the plaintiff has caused the defendant Unimasters to lose the trust and confidence of its customers, business associates, creditor and the community at large. The damage caused by [p]laintiff, if reckoned in terms of money, amounts to no less than TWO MILLION PESOS (PHP2,000,000.00);
>
> 20. Because of the frivolous action instituted by the plaintiff here and in two other similar cases dismissed, defendant Unimasters has incurred or will incur expenses in the amount of ONE HUNDRED THOUSAND PESOS (PHP100,000.00) for costs of the suit, TWO HUNDRED THOUSAND PESOS (PHP200,000.00) by way of attorney's fees, and FIVE THOUSAND PESOS (PHP5,000.00) for appearance fees per hearing."

On June 10, 2005, plaintiff filed a Motion for Leave to File Amended Complaint, with attached Amended Complaint,[11] which additionally impleads the Province of Leyte, PTA, and APT as defendants.

On even date, defendants filed a Motion to Dismiss.[12]

On September 28, 2005, the Court, taking into consideration plaintiff's Opposition to Defendant's (Wilson Chan and Unimasters Conglomeration, Inc.) Motion to Dismiss,[13] and defendants' Rejoinder/Reply to Plaintiff's Opposition to the Motion to Dismiss,[14] resolved to deny the said Motion to Dismiss.[15]

On April 26, 2006, defendant Province of Leyte filed by registered mail its Answer,[16] with the following Affirmative Defenses:

[11] *Id.*, at pp. 122-154, with Annexes.
[12] *Id.*, at pp. 155-165.
[13] *Id.*, at pp. 207-224, with Annexes.
[14] *Id.*, at pp. 277-296, with Annexes.
[15] *Id.*, at pp. 298-305.
[16] *Id.*, at pp. 440-451.

"19. The Amended Complaint anchors the [p]laintiff City of Tacloban's cause of action on the alleged non-payment of real property taxes after repeated sending of "demand letters" to Defendant Wilson Chan.

20. Plaintiff City stated in paragraph 13 of its Amended Complaint:

> *"13. Plaintiff, through then City Treasurer Erlinda V. Reyes, sent several **demand letters** to Mr. Wilson Chan for him to pay the real property taxes of Leyte Park Hotel. The latest of which **demand** was sent on June 1, this time by the City Legal Office through the undersigned City Legal Officer. Such **Demand Letter,** however, seemed to fell (sic) on deaf ears as they remain unheeded. x x x"* (Emphasis supplied)

21. To reiterate, a mere demand letter or demand letters for the payment of the real property taxes will not take the place of the "notice of assessment" required by the Local Government Code, nor will it take the place of the posting and publication of the notice of collection.

22. While the Amended Complaint attempted to create an imputable wrong to the [d]efendant Province, it miserably failed to establish that has sent notices of assessment to herein [d]efendant Province. It also failed to prove that it has complied with Section 249 of the Local Government Code.

23. It is apparent therefore that, under the foregoing premises, the Amended Complaint of [p]laintiff City fails to state a cause of action. In this regard, the Amended Complaint must be dismissed outright, in favor of the [d]efendant Province. Consequently, [p]laintiff City should not be entitled to all of the pecuniary damages prayed for in their Amended Complaint."

On May 2, 2006, defendant Privatization and Management Office ("PMO"), the successor agency of the defunct APT filed a Motion for Leave to File and Admit the Attached Answer, with attached Answer,[17] and adduced the following Affirmative Defenses:

[17] *Id.*, at pp. 382-439, with Annexes.

"V. Affirmative Defenses

27. Plaintiff alleges that Real Property Taxes accrued on the land and improvements constituting the LPH. While plaintiff alleges that the said land and improvements are liable for Real Property Taxes, plaintiff's complaint manifestly fails to categorically state the taxable periods during which the Real Property Taxes accrued and which are the subject of the instant complaint for collection. Plaintiff merely made a sweeping statement that the total unpaid Real Property Taxes on LPH amounted to P23,377,353.08. The present Amended Complaint fails to substantially apprise defendants of the taxable periods during which the Real Property Taxes allegedly accrued and assessed and which are the basis of collection herein. This omission by plaintiff is material and fatally defective which makes the present Amended Complaint dismissible at the outset on ground of lack of cause of action.

28. While plaintiff sweepingly alleges that defendants are liable for Real Property Taxes on the land and improvements of LPH, it miserably fails to categorically allege that there was a valid assessment of Real Property Taxes on the foregoing properties, and a valid Notice of Assessment was sent to defendants. A valid assessment and notice thereof to defendants are indispensably important being a condition precedent to and basis of collection pursuant to the Local Government Code of 1991, as amended, which provides that:

> "SEC. 194. *Periods of Assessment and Collection*. - (a) Local Taxes, fees, or charges shall be assessed within five (5) years from the date they became due. No such taxes, fees, or charges, whether administrative or judicial, shall be instituted after the expiration of such period: x x x x x"

29. Defendant PMO is not aware of any valid Notice of Assessment of Real Property Taxes on the land and improvements of LPH from the Assessor's Office of Tacloban City.

30. Evidently, the foregoing five (5)-year prescriptive period bars the filing of collection case for Real Property Taxes on the land and improvements of LPH accruing thereon earlier than taxable period 2002, like the subject of the present complaint for collection.

31. Assuming *arguendo* that plaintiff can legally collect Real Property Taxes on the land and improvements of LPH, the liability to pay the same falls on the shoulders of defendant Unimasters. This must be,

consistent with the rule enunciated in the Local Government Code, as amended, the particular provision of which reads, to wit:

> "SEC. 234. *Exemption from Real Property Tax.* – The following are exempted from payment of the real property tax:
>
> (a) Real property owned by the Republic of the Philippines or any of its political subdivision except when the beneficial use thereof has been granted, for consideration or otherwise, to a taxable person;"

32. In the event that this Court rules that Real Property Taxes can lawfully be collected, Unimasters should be made to carry the burden of paying the just amount. The three beneficial owners of LPH have a claim for accrued rentals under the Contract of Lease against Unimasters in the total amount of P30,645,242.47 as of 31 March 2006. Attached hereto as Annex "7" is a copy of Statement of Lease Rental as of March 31, 2006 for Unimasters prepared by the Accounting Department of defendant PMO and made an integral part of this Answer. "

On May 23, 2006, defendant PTA filed its Answer,[18] and submitted the following Special and Affirmative Allegations:

> "9. Plaintiff has no cause of action against defendants.
>
> 10. From the complaint itself, the plaintiff merely sent letters to defendant Unimasters Conglomeration Inc. of the alleged real property taxes. These letters apparently were sent to remind Unimasters of unpaid arrears; however, these allegedly fell on deaf ears.
>
> 11. Curiously, no notice of a valid assessment for the alleged unpaid real property taxes was ever sent. A valid assessment and the subsequent notice thereof are indispensable conditions for the proper collection of local fees and taxes;
>
> 12. Moreover, the amended complaint of the plaintiff fails to identify and specify the period for which their claim of unpaid real property tax falls. Except for a general amount mentioned, the plaintiff did not give any details as to the breakdown of the same.

[18] *Id.*, at pp. 465-471.

13. Assuming that plaintiff has a cause of action against the defendants, their very evidence defeats their claim against the "**PTA**" as being liable to the payment of their claim.

14. The Local Government Code specifically provides that real property owned by the Republic or any of its political subdivision are exempt from the payment of real property tax except when the beneficial use thereof has been granted for consideration to a taxable purpose."

On September 29, 2006, defendant UCI filed its Answer to the Amended Complaint,[19] and alleged the following Affirmative Defenses:

"11. Plaintiff, in its eagerness to collect the real property tax subject of this case, erroneously designated defendant Wilson Chan representing the Unimasters Conglomeration, as Administrator of the Leyte Park Hotel when in truth and in fact, Wilson Chan as President of defendant Unimasters Conglomeration is only a lessee of the Leyte Park Hotel as shown in the Contract of Lease (Plaintiff's Annex "A") and he has never been the Administrator of said Leyte Park Hotel;

12. The Real Property Tax Assessment for Leyte Park Hotel sent to defendant Unimasters and attached to the Amended Complaint indicated that Wilson Chan is the declared owner of Leyte Park Hotel Inc. when in truth and in fact the declared owners of said property are the Province of Leyte, the Asset Privatization Trust (APT) and the Philippine Tourism Authority (PTA) which makes the amended complaint dismissible for declaring and impleading wrong parties;

13. The Certificate of Delinquency issued by the Treasurer of Tacloban City dated September 13, 2003, did not comply with the mandatory procedural due process as provided for Sec. 254 of the Local Government Code in the issuance of said notice which makes this amended complaint dismissible"

On November 15, 2007, the parties filed by registered mail their Joint Stipulation of Facts and Issues,[20] with the following Joint Stipulation of Facts:

1. That the Honorable Court has exclusive original jurisdiction over the instant case by virtue of the provision in Section 7 of Republic Act 9282;

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[19] *Id.*, at pp. 497-501.
[20] *Id.*, at pp. 700-703.

2. That the Province of Leyte together with the Asset Privatization Trust (APT), a government agency representing the Republic of the Philippines; and the Philippine Tourism Authority, also a government agency attached to the Department of Tourism, are co-owners of the Leyte Park Hotel, Inc.;

3. That on September 15, 1994, the owners of the Leyte Park Hotel except the Province of Leyte, entered into a Contract of Lease in favor of the Unimasters Conglomeration, Inc., for a period of twelve (12) years;

4. That on the same date on September 15, 1994, the owners of the Leyte Park Hotel executed a Memorandum of Agreement concerning matters of leasing the Leyte Park Hotel to Unimasters Conglomeration, Inc.;

5. That the Leyte Park Hotel, through its Administrator/Lessee Mr. Wilson Chan **has made partial payments of Real Property Taxes** for the years 1995 to 1997 as evidenced by Official Receipts duly issued by the City Treasurer's Office;

6. That Plaintiff, through the City Treasurer Erlinda Reyes, sent several demand letters to Mr. Wilson Chan for him to pay the real property tax of Leyte Park Hotel the latest of which demand was sent on June 1, 2004, by the City Legal Office;

7. That the assessment for the real property taxes of the Leyte Park Hotel as of August 31, 2007 now amounts to **FORTY SIX MILLION ONE HUNDRED THIRTY FIVE THOUSAND ONE HUNDRED NINETY THREE PESOS & 55/100 (Php46,135,193.55).**

During trial, the parties respectively presented documentary and testimonial evidence.

On November 23, 2010,[21] the Court submitted the case for decision taking into consideration the Memorandum [For Defendant Province of Leyte] filed by registered mail on December 15, 2009,[22] the Memoranda filed by registered mail on

[21] *Id.*, at pp. 1167-1169.
[22] *Id.*, at pp. 1034-1047.

December 16, 2009 by defendant PTA,[23] the Memorandum filed by registered mail on December 17, 2009 by defendant UCI,[24] the Memorandum filed by registered mail on December 18, 2009 by defendant APT,[25] and the Memorandum (For Plaintiff Tacloban City Government) filed by registered mail on December 21, 2009.[26]

Hence, this Decision.

The Issues

As stated in the Joint Stipulation of Facts and Issues,[27] the issues are:

1. Whether or not the assessment by the [p]laintiff of the real property taxes of the Leyte Park Hotel has prescribed;

2. Whether or not a real property owned by the Republic of the Philippines or any of its political subdivisions, loses its tax exempt status by virtue of a lease contract executed by the owner in favor of a taxable entity;

3. Whether or not the exempt status of the Leyte Park Hotel should extend until the end of the year of 1994 considering that the lease contract between the owners of the Leyte Park Hotel and Unimasters Conglomeration, Inc. was executed on September 15, 1994; and

4. Whether or not notice and publication as required by the Real Property Tax Code is a requisite for a valid real estate tax assessment.

Arguments of the Parties

City Government of Tacloban

The City Government of Tacloban posits that the right to assess for the real property taxes of Leyte Park Hotel has not prescribed when it sought to enforce collection. While there have been partial payments of RPT for the years 1995 to 1997, the particular issue on prescription of the taxes was from the taxable year 1998. The

[23] *Id.*, at pp. 1049-1060.
[24] *Id.*, at pp. 1076-1083.
[25] *Id.*, at pp. 1085-1094.
[26] *Id.*, at pp. 1096-1109.
[27] *Id.*,

City points out that it had already initiated to enforce collection in the year 2000 when it issued a warrant of levy against Leyte Park Hotel, Inc. It was only through an action to enjoin the enforcement of this levy by the Province which prevented the City to collect the subject tax. Later on, the Regional Trial Court decided to permanently enjoin the City, thus it argues that it was unable to collect, which resulted in the suspension of the period on prescription.

In addition, the City argues that once a property owned by the Republic of the Philippines is leased to a taxable entity, it loses the tax exemption under Section 234(a) of the LGC of 1991. As to the exact date when it loses its tax exempt status, the City argues that so long as it is considered tax exempt on January 1 of that particular year, it will enjoy such privilege for the entire taxable year, since the liability to pay RPT has already accrued.

As for the issue on the Notice and Publication of Delinquency in the payment of RPT, the City presented its evidence to support its claim of complying with the letter of the law. It also included several demand/collection letters which were acknowledged by the defendants and thus these parties should be held in estoppel from questioning the validity of the said real property tax assessment notice.

Provincial Government of Leyte

The Province argues that since the real property tax accrue on the first day of January, it makes that particular property tax exempt until the end of the year, regardless of the fact that the Contract of Lease with UCI was executed on September 15, 1994. Therefore, it will remain exempt until the end of the taxable year, subject to the change of status on the following first of January.

Another point that the Province relies on is the fact that it has been more than five (5) years from the time the taxes became due. Therefore, it argues that since the case was instituted beyond this period, the assessment should be deemed to have prescribed. The Province also points out that plaintiff can not rely on the exemption to the five (5)-year period since no fraud or intent to evade taxes was ever alleged.

In any case, the Province argues that even if the Real Property Tax exemption is withdrawn, as in the case where a government instrumentality leases it to a private entity, it shall be the beneficial user who is liable to pay the tax, as shown in Section 234(a) of the Republic Act No. 7160, also known as the Local Government Code of 1991 ("LGC of 1991"). Any provision in the agreement which shifts the liability for the tax towards the government instrumentalities should be deemed null and void. Thus, it is claiming that the provision designated as paragraph 11.04 in the Contract of Lease should be nullified and that the beneficial user of the LPHI property should be held liable.

The Province also points out that since it was not a party to the Contract of Lease in the first place, it cannot be held liable under such, and that it did not receive any notice of assessment, which is a requirement for a valid real estate tax assessment. Therefore, any demand for payment is premature and ineffectual against the Province. Further, the plaintiff also failed to observe the publication of the notice of time for collection of tax under Section 249 of the LGC of 1991.

Philippine Tourism Authority

In its Memorandum, PTA states that as an instrumentality of the National Government, it enjoys an exemption from Real Property Tax. However, it concedes

to the withdrawal of the exemption when it leased the Leyte Park Hotel to a taxable entity, which in this case was UCI. PTA points out though that the liability of this specific tax should be based upon who has beneficial use of the property, regardless of the actual owner. In addition, it disclaims any liability by pointing out that the period for the collection of taxes has already expired, since it is beyond the five (5)-year period.

Uninasters Conglomeration, Inc.

UCI relies on the Contract of Lease signed by the various parties in disclaiming its liability for the Real Property Tax. This contract specifically exempts UCI from the subject tax. UCI cites the case of *Philippine Fisheries Development Authority v. Court of Appeals,*[28] wherein the Supreme Court ruled that instrumentalities of the National Government should be held liable for the Real Property Tax when it leases these out to a taxable entity. According to UCI, this is bolstered by Section 234(a) of the LGC of 1991, which provides that:

> SEC. 234. *Exemptions from Real Property Tax.* - The following are exempted from payment of the real property tax:
>
> (a) Real property owned by the Republic of the Philippines or any of its political subdivisions except when the beneficial use thereof has been granted, for consideration or otherwise, to a taxable person;
>
> x x x x x x x x x

UCI points out that this provision removes the exemption from Real Property Tax away from the National Government or its instrumentality.

[28] G.R. No. 169836, July 31, 2007, 528 *SCRA* 706.

Asset Privatization Trust (now known as Privatization and Management Office)

In its Memorandum by APT (now PMO), it alleges that there is no cause of action to file the instant suit due to the failure to allege a valid, final and executory assessment. APT also claims that not all the requirements for a valid assessment have been complied with. In particular, it cites Section 254 of the LGC of 1991, which requires that:

> SEC. 254. *Notice of Delinquency in the Payment of the Real Property Tax.* –
>
> (a) When the real property tax or any other tax imposed under this Title becomes delinquent, the provincial, city or municipal treasurer shall immediately cause a notice of the delinquency to be posted at the main entrance of the provincial capitol, or city or municipal hall and in a publicly accessible and conspicuous place in each barangay of the local government unit concerned. The notice of delinquency shall also be published once a week for two (2) consecutive weeks, in a newspaper of general circulation in the province, city, or municipality.
>
> (b) Such notice shall specify the date upon which the tax became delinquent and shall state that personal property may be distrained to effect payment. It shall likewise state that at any time before the distraint of personal property, payment of the tax with surcharges, interests and penalties may be made in accordance with the next following Section, and unless the tax, surcharges and penalties are paid before the expiration of the year for which the tax is due except when the notice of assessment or special levy is contested administratively or judicially pursuant to the provisions of Chapter 3, Title II, Book II of this Code, the delinquent real property will be sold at public auction, and the title to the property will be vested in the purchaser, subject, however, to the right of the delinquent owner of the property or any person having legal interest therein to redeem the property within one (1) year from the date of sale.

According to APT, the provision requires that a posting or publication of a Notice of Delinquency be made. In this case, APT (now PMO) claims that this was

not complied with. As such, filing the case with the Court of Tax Appeals is not proper, and that the Court has no jurisdiction.

Ruling of the Court

As assessed by the City Assessor, the total unpaid real property taxes of Leyte Park Hotel amounted to P23,377,533.08,[29] as detailed below, for which plaintiff, The City of Tacloban, demanded collection from defendant, Unimaster Conglomeration Inc.:

TD No.	Assessed Value	Tax Due	Years of Delinquency	Full Payment	Penalty	Total
022-0374-R7	P22,995,750.00	P459,915.00	Bal. 1996-99	P 1,748,549.74	P1,258,955.81	P 3,007,505.55
Re:47754-R6		229,957.50	SEF	828,719.73	596,678.21	1,425,397.94
02200185-R8	45,991,500.00	574,893.75	2000	574,893.75	413,923.50	988,817.25
Re:022-0374-R7		287,446.88	SEF	287,446.88	206,961.75	494,408.63
		689,872.50	2001	689,872.50	496,708.20	1,186,580.70
		344,936.25	SEF	344,936.25	248,354.10	593,290.35
		919,830.00	2002	919,830.00	551,898.00	1,471,728.00
		459,915.00	SEF	459,915.00	275,949.00	735,864.00
			2003	919,830.00	331,138.80	1,250,968.80
			SEF	459,915.00	165,569.40	625,484.40
			2004	919,830.00	110,379.60	1,030,209.60
			SEF	459,915.00	55,189.80	515,104.80
			Total	**P 8,613,653.85**	**P4,711,706.17**	**P13,325,360.02**
022-0186-R7	P23,727,200.00	P474,544.00	1995	P 474,544.00	P 341,671.68	P 816,215.68
Re:47755-R6		237,272.00	SEF	237,272.00	170,835.84	408,107.84
022-0772-R7	3,808,300.00	76,166.00	1996-99	304,664.00	219,358.08	524,022.08
Re:022-0186-R7		38,083.00	SEF	152,332.00	109,679.04	262,011.04
			Total	**P 1,168,812.00**	**P 841,544.64**	**P 2,010,356.64**
022-0779-R7	P 382,010.00	P 7,640.20	1996-99	P 30,560.80	P 22,003.78	P 52,564.58
Re:022-0186-R7		3,820.10	SEF	15,280.40	11,001.89	26,282.29
			Total	**P 45,841.20**	**P 33,005.67**	**P 78,846.87**
022-0776-R7	P 5,342,190.00	P106,843.80	1996-99	P 427,375.20	P 307,710.14	P 735,085.34
Re:022-0186-R7		53,421.90	SEF	213,687.60	153,855.07	367,542.67
02200559-R8	13,953,650.00	279,073.00	2000-01	558,146.00	401,865.12	960,011.12
Re:022-0772-R7,		139,536.50	SEF	279,073.00	200,932.56	480,005.56
022-0776-R7			2002	279,073.00	167,443.80	446,516.80
& 022-0779-R7			SEF	139,536.50	83,721.90	223,258.40
			2003	279,073.00	100,466.28	379,539.28

[29] Exhibit "A", Docket, pp. 531-535.

			SEF	139,536.50	50,233.14	189,769.64
			2004	279,073.00	33,488.76	312,561.76
			SEF	139,536.50	16,744.38	156,280.88
			Total	**P 2,734,110.30**	**P1,516,461.15**	**P 4,250,571.45**
02200566-R8	P 3,002,380.00	P 60,047.60	Sht tax '97	P 45,875.20	P -	P 45,875.20
Re:022-0777-8-R7,		30,023.80	SEF	22,937.60	-	22,937.60
022-0783-5-R7			1998-99	120,095.20	86,468.54	206,563.74
			SEF	60,047.60	43,234.27	103,281.87
02200567-R8	2,732,650.00	54,653.00	2000-01	109,306.00	78,700.32	188,006.32
Re:02200566-R8		27,326.50	SEF	54,653.00	39,350.16	94,003.16
			2002	54,653.00	32,791.80	87,444.80
			SEF	27,326.50	16,395.90	43,722.40
			2003	54,653.00	19,675.08	74,328.08
			SEF	27,326.50	9,837.54	37,164.04
			2004	54,653.00	6,558.36	61,211.36
			SEF	27,326.50	3,279.18	30,605.68
			Total	**P 658,853.10**	**P 336,291.15**	**P 995,144.25**
02200564-R8	P 2,618,320.00	P 52,366.40	Sht tax '97	P 38,614.20	P -	P 38,614.20
Re:022-0775-R7		26,183.20	SEF	19,307.10	-	19,307.10
			1998-99	104,732.80	75,407.62	180,140.42
			SEF	52,366.40	37,703.81	90,070.21
02200565-R8	2,556,040.00	51,120.80	2000-01	102,241.60	73,613.95	175,855.55
Re:02200564-R8		25,560.40	SEF	51,120.80	36,806.98	87,927.78
			2002	51,120.80	30,672.48	81,793.28
			SEF	25,560.40	15,336.24	40,896.64
			2003	51,120.80	18,403.49	69,524.29
			SEF	25,560.40	9,201.74	34,762.14
			2004	51,120.80	6,134.50	57,255.30
			SEF	25,560.40	3,067.25	28,627.65
			Total	**P 598,426.50**	**P 306,348.06**	**P 904,774.56**
02200562-R8	P 87,490.00	P 1,749.80	Sht tax '97	P 833.00	P -	P 833.00
Re:022-0774-R7		874.90	SEF	416.50	-	416.50
			1998-99	3,499.60	2,519.71	6,019.31
			SEF	1,749.80	1,259.86	3,009.66
02200563-R8	78,170.00	1,563.40	2000-01	3,126.80	2,251.30	5,378.10
Re:02200562-R8		781.70	SEF	1,563.40	1,125.65	2,689.05
			2002	1,563.40	938.04	2,501.44
			SEF	781.70	469.02	1,250.72
			2003	1,563.40	562.82	2,126.22
			SEF	781.70	281.41	1,063.11
			2004	1,563.40	187.61	1,751.01
			SEF	781.70	93.80	875.50
			Total	**P 18,224.40**	**P 9,689.22**	**P 27,913.62**
02200560-R8	P 135,490.00	P 2,709.80	Sht tax '97	P 1,793.00	P -	P 1,793.00
Re:022-0773-R7		1,354.90	SEF	896.50	-	896.50
			1998-99	5,419.60	3,902.11	9,321.71

			SEF	2,709.80	1,951.06	4,660.86
02200561-R8	118,920.00	2,378.40	2000-01	4,756.80	3,424.90	8,181.70
Re:02200560-R8		1,189.20	SEF	2,378.40	1,712.45	4,090.85
			2002	2,378.40	1,427.04	3,805.44
			SEF	1,189.20	713.52	1,902.72
			2003	2,378.40	856.22	3,234.62
			SEF	1,189.20	428.11	1,617.31
			2004	2,378.40	285.41	2,663.81
			SEF	1,189.20	142.70	1,331.90
			Total	**P 28,656.90**	**P 14,843.52**	**P 43,500.42**
02200576-R8	P 3,201,810.00	P 64,036.20	1997-99	P 192,108.60	P 138,318.19	P 330,426.79
NEW		32,018.10	SEF	96,054.30	69,159.10	165,213.40
02200577-R8	2,920,050.00	58,401.00	2000-01	116,802.00	84,097.44	200,899.44
Re:02200576-R8		29,200.50	SEF	58,401.00	42,048.72	100,449.72
			2002	58,401.00	35,040.60	93,441.60
			SEF	29,200.50	17,520.30	46,720.80
			2003	58,401.00	21,024.36	79,425.36
			SEF	29,200.50	10,512.18	39,712.68
			2004	58,401.00	7,008.12	65,409.12
			SEF	29,200.50	3,504.06	32,704.56
			Total	**P 726,170.40**	**P 428,233.07**	**P 1,154,403.47**
02200574-R8	P 44,350.00	P 887.00	1996-99	P 3,548.00	P 2,554.56	P 6,102.56
NEW		443.50	SEF	1,774.00	1,277.28	3,051.28
0220575-R8	24,710.00	494.20	2000-01	988.40	711.65	1,700.05
Re:02200574-R8		247.10	SEF	494.20	355.82	850.02
			2002	494.20	296.52	790.72
			SEF	247.10	148.26	395.36
			2003	494.20	177.91	672.11
			SEF	247.10	88.96	336.06
			2004	494.20	59.30	553.50
			SEF	247.10	29.65	276.75
			Total	**P 9,028.50**	**P 5,699.91**	**P 14,728.41**
02200572-R8	P 255,910.00	P 5,118.20	1996-99	P 20,472.80	P 14,740.42	P 35,213.22
NEW		2,559.10	SEF	10,236.40	7,370.21	17,606.61
02200573-R8	157,280.00	3,145.60	2000-01	6,291.20	4,529.66	10,820.86
Re:02200572		1,572.80	SEF	3,145.60	2,264.83	5,410.43
			2002	3,145.60	1,887.36	5,032.96
			SEF	1,572.80	943.68	2,516.48
			2003	3,145.60	1,132.42	4,278.02
			SEF	1,572.80	566.21	2,139.01
			2004	3,145.60	377.47	3,523.07
			SEF	1,572.80	188.74	1,761.54
			Total	**P 54,301.20**	**P 34,001.00**	**P 88,302.20**
02200570-R8	P 631,160.00	P 12,623.20	1997-99	P 37,869.60	P 27,266.11	P 65,135.71
NEW		6,311.60	SEF	18,934.80	13,633.06	32,567.86
02200571-R8	468,050.00	9,361.00	2000-01	18,722.00	13,479.84	32,201.84

Re:02200570-R8		4,680.50	SEF	9,361.00	6,739.92	16,100.92
			2002	9,361.00	5,616.60	14,977.60
			SEF	4,680.50	2,808.30	7,488.80
			2003	9,361.00	3,369.96	12,730.96
			SEF	4,680.50	1,684.98	6,365.48
			2004	9,361.00	1,123.32	10,484.32
			SEF	4,680.50	561.66	5,242.16
			Total	**P 127,011.90**	**P 76,283.75**	**P 203,295.65**
02200568-R8	P 787,930.00	P 15,758.60	1997-99	P 47,275.80	P 34,038.58	P 81,314.38
NEW		7,879.30	SEF	23,637.90	17,019.29	40,657.19
02200569-R8	701,170.00	14,023.40	2000-01	28,046.80	20,193.70	48,240.50
Re:02200568-R8		7,011.70	SEF	14,023.40	10,096.85	24,120.25
			2002	14,023.40	8,414.04	22,437.44
			SEF	7,011.70	4,207.02	11,218.72
			2003	14,023.40	5,048.42	19,071.82
			SEF	7,011.70	2,524.21	9,535.91
			2004	14,023.40	1,682.81	15,706.21
			SEF	7,011.70	841.40	7,853.10
			Total	**P 176,089.20**	**P 104,066.32**	**P 280,155.52**
			GrandTotal	**P14,959,179.45**	**P8,418,173.63**	**P23,377,353.08**

Sections 232, 233, 235, 250 and 255 of the LGC of 1991 provide for the basic levy and the additional levy for special education fund (SEF) on real properties, the modes of payment, as well as the interests for any unpaid real property tax, to wit:

> SEC. 232. *Power to Levy Real Property Tax.* – A province or city or a municipality within the Metropolitan Manila Area may levy an annual *ad valorem* tax on real property such as land, building, machinery, and other improvement not hereinafter specifically exempted.
>
> SEC. 233. *Rates of Levy.* – A province or city or a municipality within the Metropolitan Area shall fix a uniform rate of basic real property tax applicable to their respective localities as follows:
>
> (a) In the case of a province, at the rate not exceeding one percent (1%) of the assessed value of real property; and
>
> (b) In the case of a city or municipality within the Metropolitan Manila Area, at the rate not exceeding two percent (2%) of the assessed value of real property.
>
> xxx xxx xxx

SEC. 235. *Additional Levy on Real Property for the Special Education Fund (SEF).* – A province or city or a municipality within the Metropolitan Manila Area, may levy and collect an annual tax of one percent (1%) on the assessed value of real property which shall be in addition to the basic real property tax. The proceeds thereof shall exclusively accrue to the Special Education Fund (SEF).

xxx xxx xxx

SEC. 250. *Payment of Real Property Taxes in Installments.* – The owner of the real property or the person having legal interest therein may pay the basic real property tax and the additional tax for the SEF due thereon without interest in four (4) equal installments: the first installment to be due and payable on or before the thirty-first (31st) of March; the second installment, on or before the thirtieth (30th) of June; the third installment, on or before the thirtieth (30th) of September; and the last installment on or before the thirty-first (31st) of December, except the special levy the payment of which shall be governed by ordinance of the sanggunian concerned. xxx

Payments of real property taxes shall first be applied to prior years delinquencies, interests, and penalties, if any, anly after said delinquencies are settled may tax payments be credited for the current period.

SEC. 255. *Interests on Unpaid Real Property Tax.* – In case of failure to pay the basic real property tax or any other tax levied under this Title upon the expiration of the periods as provided in Section 250, or when due, as the case may be, shall subject the taxpayer to the payment of interest at the rate of two percent (2%) per month on the unpaid amount or fraction thereof, until the delinquent tax shall have been fully paid: *Provided, however,* That in no case shall the total interest on the unpaid tax or portion thereof exceed thirty-six (36) months.

Pursuant to the above cited provisions of LGC of 1991, the maximum rate that a province can impose as real property tax is one percent (1%) of the assessed value thereof, while the statutory maximum rate of the real property tax in cities and municipalities within Metropolitan Manila is two percent (2%) of the assessed value, plus an additional one percent (1%) provided for the SEF.

When a taxpayer cannot pay the full amount of the tax due, he may make partial payment thereon, usually on or before the end of each quarter of the taxable year. If the imposition of the real property tax due for the first quarter of a tax year is not paid on or before the thirty-first day of March of the same year, the penalty shall be reckoned from the first day of January at the rate of two percent for every month of delinquency" on the basis of the total amount due for the entire year: and not only on the total amount due for the said first quarter of the tax year. This is so since the failure to pay on time at least the first quarter installment of the real property tax shall constitute a waiver on the part of the property owner or administrator to avail of the privilege granted by law for him to pay without penalty the annual realty tax obligation in four (4) equal installments on or before the end of every quarter of the tax year,[30] but in no case shall total interest on the unpaid tax or a portion thereof exceed 36 months or 72%.

Prescription

The main issue in this case pertains to the allegation that the assessments have already prescribed. Tax laws prescribe a limitation of actions for the collection to the benefit of both the Government and its citizens; to the Government because tax officers would be obliged to act promptly in the making of assessment, and to citizens because after the lapse of the period of prescription citizens would have a feeling of security against unscrupulous tax agents who will always find an excuse

[30] Joint Local Assessment Regulations No. 1-85 and DOF Local Treasury Regulations No. 2-85.

to inspect the books of taxpayers, not to determine the latter's real liability, but to take advantage of every opportunity to molest peaceful, law-abiding citizens.[31]

Therefore, it is important to determine this issue at the onset.

To determine whether or not the assessment has already prescribed, there is a need to look into the factual circumstances as well as the laws that govern real property tax assessment.

In the present case, the alleged deficiency taxes stems out of the real property tax for the taxable years 1995 to 2004, which is now being collected by the City against the parties impleaded in this case. The same assessment has already been subject of litigation in the Special Civil Case for Injunction with Preliminary Injunction with Temporary Restraining Order filed with the Regional Trial Court Branch 9- Region 8 (Tacloban City). In the said case, the lower Court decided that since Leyte Park Hotel, Inc. became the beneficial owner of the property upon the signing of the Contract of Lease, it too became liable for the real property taxes which accrue to the specific property from September 1994 onwards. Thus while the property has deficiency taxes from the 1980s, only the real property taxes starting from January 1995 to 2004 was included in this particular suit.

The law pertinent to our determination is the LGC of 1991. Specifically, the LGC of 1991 provides for the period of prescription in Section 270, which states that:

> SEC. 270. *Periods Within Which To Collect Real Property Taxes.* - The basic real property tax and any other tax levied under this Title shall be collected within five (5) years from the date they become due. No action for the collection of the tax, whether administrative or judicial, shall be instituted after the expiration of such period. In case of fraud or intent to evade payment of the tax, such action may be

[31] Republic *v.* Luis G. Ablaza, G.R. No. L-14519, July 26, 1960, 108 Phil. 1105.

> instituted for the collection of the same within ten (10) years from the discovery of such fraud or intent to evade payment.
>
> The period of prescription within which to collect shall be suspended for the time during which:
>
> (1) The local treasurer is legally prevented from collecting the tax;
>
> (2) The owner of the property or the person having legal interest therein requests for reinvestigation and executes a waiver in writing before the expiration of the period within which to collect; and
>
> (3) The owner of the property or the person having legal interest therein is out of the country or otherwise cannot be located.

Under this provision, it clearly sets out the period within which the local government unit can pursue the collection of the deficiency real property taxes. The five (5) year period in this case can also be interrupted by specific circumstances as enumerated above.

The provision states that within this said period, the local government unit involved may collect taxes, either through an administrative or judicial action. If the local government unit fails to act within this period, it is prohibited from instituting an administrative or judicial action.

The same rule is further reiterated in another provision in the same Code, specifically that of Section 256, which provides that:

> SEC. 256. *Remedies For The Collection Of Real Property Tax.* - For the collection of the basic real property tax and any other tax levied under this Title, the local government unit concerned may avail of the remedies by administrative action thru levy on real property or by judicial action.

While it is clear that the law intended that an action be brought against a deficient taxpayer within five (5) years, it does not clarify when the prescriptive period will begin to run. It only states that it begins when it becomes due. This has not been clarified in the implementing rules and regulations of the LGC of 1991 as it merely replicated the said provision.

The City alleges that it was prevented from collecting taxes due to the case pending with the Regional Trial Court, thus the prescriptive period was affected.

The Court disagrees.

The matter pending before the lower court was a determination of proper party liable for the real property tax, and not a question of whether or not the property was subject to real property tax. Clearly, the imposition of the tax was never in question, thus the prescription period could not have been affected. Thus this does not fall under the exemption that allows the suspension of the period of prescription provided in Section 270 of the LGC of 1991 wherein the local treasurer is legally prevented from collecting taxes.

Thus, the question then arises: when does the real property tax become due? The answer for this may be inferred from other provisions found in the same Code.

In Section 246 of the LGC of 1991, it states that:

> SEC. 246. *Date of Accrual of Tax.*- The real property tax for any year shall accrue on the first day of January and from that date it shall constitute a lien on the property which shall be superior to any other lien, mortgage, or encumbrance of any kind whatsoever, and shall be extinguished only upon the payment of the delinquent tax.

This provision provides for the accrual of the real property tax. It states that the accrual occurs on January 1 of each taxable year. Accrual simply means that

upon a certain date, in this case January 1, the local government unit may recognize that there will be a real property tax that they will be able to collect throughout the said year.

On the other hand, another provision of the LGC of 1991, specifically Section 250 provides that:

> SEC. 250. *Payment of Real Property Taxes in Installments.* - The owner of the real property or the person having legal interest therein may pay the basic real property tax and the additional tax for Special Education Fund (SEF) due thereon without interest in four (4) equal installments; **the first installment to be due and payable on or before the thirty-first (31st) of March; the second installment, on or before the thirtieth (30th) of June Thirty; the third installment, on or before the thirtieth (30th) of September; and the last installment on or before the thirty-first (31st) of December**, except the special levy the payment of which shall be governed by ordinance of the sanggunian concerned. The date for the payment of any other tax imposed under this Title without interest shall be prescribed by the sanggunian concerned. Payments of real property taxes shall first be applied to prior years delinquencies, interests, and penalties, if any, and only after said delinquencies are settled may tax payments be credited for the current period. *(emphasis ours)*

In the above cited provision, it becomes clear when a taxpayer is legally obligated to pay the said Real Property Tax. The Code provides for four dates in each taxable year, usually at the end of each quarter wherein part of the taxes are due.

Therefore, if We are to take Sections 270, 256, 246 and 250 together, it would seem that the liability for Real Property Tax is determined on January 1, but remains uncollected. It is only at the end of each taxable quarter when twenty five percent (25%) of the yearly tax becomes due and demandable.

The law on prescription should be liberally construed in order to protect taxpayers.[32] In *Republic of the Philippines v. Ablaza*,[33] the Supreme Court explained that the law of prescription for the collection of taxes is beneficial to both the Government and the taxpayer, as it would provide a feeling of security against unscrupulous tax agents who will always find an excuse to inspect the books of taxpayers, not to determine the latter's real liability, but to take advantage of every opportunity to molest, peaceful, law-abiding citizens.

With this, it would only be proper that the prescriptive periods be determined with each quarter, rather on a yearly basis. Or simply put, the local government unit concerned has five years counting from the end of each quarter, to initiate either an administrative or judicial action to collect the deficiency tax for the said period, unless it falls under the three (3) circumstances which suspend the running of the prescriptive period. To illustrate:

Year	End of Prescriptive Period			
	1st	2nd	3rd	4th
1995	March 31, 2000	June 30, 2000	September 30, 2000	December 31, 2000
1996	March 31, 2001	June 30, 2001	September 30, 2001	December 31, 2001
1997	March 31, 2002	June 30, 2002	September 30, 2002	December 31, 2002
1998	March 31, 2003	June 30, 2003	September 30, 2003	December 31, 2003
1999	March 31, 2004	June 30, 2004	September 30, 2004	December 31, 2004
2000	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005
2001	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006
2002	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007
2003	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008
2004	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009

Applied to the case on hand, We have determined from the records of the case that there have been two initiatory actions made by the City. The first was the

[32] Commissioner of Internal Revenue v. B.F. Goodrich, G.R.. 104171, February 24, 1999 303 SCRA 546
[33] G.R. No. L-14519, July 26, 1960, 108 Phil. 1105.

issuance for a warrant of levy on February 8, 2000, and second a civil action for the collection of money for unpaid taxes on May 30, 2005.

The warrant of levy filed on February 8, 2000 was an administrative action to collect the taxes already due. At this point in time, it would only cover the years 1995 to 1999. While the warrant for levy was the subject of litigation and was ultimately enjoined from being enforced, this administrative action already fulfilled the requirements of Section 270 of the LGC of 1991 which requires an action for the collection of tax, be it administrative or judicial, to be instituted within a period of five (5)-years. Therefore, the filing of the warrant of levy suspended the period of prescription within which to collect the taxes due.

In the same manner, the judicial action on May 30, 2005 taken by the City in filing a collection suit also prevented the lapse of the period of prescription on the real property taxes from years 2000 to 2004.

However, an exception to this would be the first quarter of the taxable year 2000. As discussed above, the period of prescription of real property taxes must be counted from the end of each quarter, and not on a yearly basis. Thus, the five (5)-year period must be counted as twenty (20) taxable quarters, counted from the filing of the action.

Therefore, if We apply this principle to the four quarters of the taxable year 2000, the suit filed on May 30, 2005 was only able to prevent the prescription of the 2nd, 3rd, and 4th quarters. As for the real property tax due on the first quarter of the year 2000, the Court, therefore, finds that it has already prescribed, since the action was initiated beyond the five (5) years allotted.

In the case of *Andres Borromeo v. Fermin Mariano,*[34] the Supreme Court explained that:

> "The cardinal rule of statutory construction requires the Court to give effect to the general legislative intent if that can be discovered within the four corners of the Act. When the object intended to be accomplished by the statute is once clearly ascertained, general words may be restrained to it and those of narrower import may be expanded to embrace it, to effectuate the intent. Along with this fundamental principle is another, equally well-established, that such a construction is, if possible, to be adopted, as will give effect to all provisions of the statute. [2 Lewis Sutherland, Statutory Construction, pp. 662, et seq.; In re Allen (1903), 2 Phil., 630; Code of Civil Procedure, sec. 287]"

Thus, the above cited provisions of law must be taken together to determine the correct counting of the period of prescription for the collection of real property taxes.

Based on the Schedule of Tax Assessment,[35] Statement of Real Property Tax payments,[36] Official Receipts,[37] and Real Property Tax Account Registers,[38] the unpaid real property taxes for years 1995 to 2004 as of June 2004 amounted to P23,503,576.57, computed as follows:

TD No.	Assessed Value	Tax Due	Years of Delinquency	Full Payment	Penalty	Total
022-0374-R7	22,995,750.00	459,915.00	Bal. 1996-99	1,748,549.74	1,258,955.81	3,007,505.55
Re:47754-R6		229,957.50	SEF	828,719.73	596,678.21	1,425,397.94
02200185-R8	45,991,500.00	574,893.75	2000	574,893.75	413,923.50	988,817.25
Re:022-0374-R7		287,446.88	SEF	287,446.88	206,961.75	494,408.63
		689,872.50	2001	689,872.50	496,708.20	1,186,580.70
		344,936.25	SEF	344,936.25	248,354.10	593,290.35
		919,830.00	2002	919,830.00	551,898.00	1,471,728.00
		459,915.00	SEF	459,915.00	275,949.00	735,864.00
			2003	919,830.00	331,138.80	1,250,968.80
			SEF	459,915.00	165,569.40	625,484.40
			2004	919,830.00	110,379.60	1,030,209.60

[34] G. R. No. 16808, January 3, 1921.
[35] Exhibit "A", Docket, pp. 531.535.
[36] Exhibit "K", Docket, pp. 559-560.
[37] Exhibits "L", "M", "N" & "O", Docket, pp. 624-627.
[38] Exhibits "V" to "Z" & "AA" to "PP", Docket, pp. 630-650.

			SEF	459,915.00	55,189.80	515,104.80
			Total	**8,613,653.85**	**4,711,706.17**	**13,325,360.02**
022-0186-R7	23,727,200.00	474,544.00	1995	474,544.00	341,671.68	816,215.68
Re:47755-R6		237,272.00	SEF	237,272.00	170,835.84	408,107.84
022-0772-R7	3,808,300.00	76,166.00	1996-99	304,664.00	219,358.08	524,022.08
Re:022-0186-R7		38,083.00	SEF	152,332.00	109,679.04	262,011.04
			Total	**1,168,812.00**	**841,544.64**	**2,010,356.64**
022-0779-R7	382,010.00	7,640.20	1996-99	30,560.80	22,003.78	52,564.58
Re:022-0186-R7		3,820.10	SEF	15,280.40	11,001.89	26,282.29
			Total	**45,841.20**	**33,005.67**	**78,846.87**
022-0776-R7	5,342,190.00	106,843.80	1996-99	427,375.20	307,710.14	735,085.34
Re:022-0186-R7		53,421.90	SEF	213,687.60	153,855.07	367,542.67
02200559-R8	13,953,650.00	279,073.00	2000-01	558,146.00	401,865.12	960,011.12
Re:022-0772-R7,		139,536.50	SEF	279,073.00	200,932.56	480,005.56
022-0776-R7			2002	279,073.00	167,443.80	446,516.80
& 022-0779-R7			SEF	139,536.50	83,721.90	223,258.40
			2003	279,073.00	100,466.28	379,539.28
			SEF	139,536.50	50,233.14	189,769.64
			2004	279,073.00	33,488.76	312,561.76
			SEF	139,536.50	16,744.38	156,280.88
			Total	**2,734,110.30**	**1,516,461.15**	**4,250,571.45**
02200566-R8	3,002,380.00	60,047.60	Sht tax '97	45,875.20	43,234.27	89,109.47
Re:022-0777-8-R7,		30,023.80	SEF	22,937.60	21,617.14	44,554.74
022-0783-5-R7			1998-99	120,095.20	86,468.54	206,563.74
			SEF	60,047.60	43,234.27	103,281.87
02200567-R8	2,732,650.00	54,653.00	2000-01	109,306.00	78,700.32	188,006.32
Re:02200566-R8		27,326.50	SEF	54,653.00	39,350.16	94,003.16
			2002	54,653.00	32,791.80	87,444.80
			SEF	27,326.50	16,395.90	43,722.40
			2003	54,653.00	19,675.08	74,328.08
			SEF	27,326.50	9,837.54	37,164.04
			2004	54,653.00	6,558.36	61,211.36
			SEF	27,326.50	3,279.18	30,605.68
			Total	**658,853.10**	**401,142.56**	**1,059,995.66**
02200564-R8	2,618,320.00	52,366.40	Sht tax '97	38,614.20	37,703.81	76,318.01
Re:022-0775-R7		26,183.20	SEF	19,307.10	18,851.90	38,159.00
			1998-99	104,732.80	75,407.62	180,140.42
			SEF	52,366.40	37,703.81	90,070.21
02200565-R8	2,556,040.00	51,120.80	2000-01	102,241.60	73,613.95	175,855.55
Re:02200564-R8		25,560.40	SEF	51,120.80	36,806.98	87,927.78
			2002	51,120.80	30,672.48	81,793.28
			SEF	25,560.40	15,336.24	40,896.64
			2003	51,120.80	18,403.49	69,524.29
			SEF	25,560.40	9,201.74	34,762.14
			2004	51,120.80	6,134.50	57,255.30

			SEF	25,560.40	3,067.25	28,627.65
			Total	**598,426.50**	**362,903.77**	**961,330.27**
02200562-R8	87,490.00	1,749.80	Sht tax '97	833.00	1,259.86	2,092.86
Re:022-0774-R7		874.90	SEF	416.50	629.93	1,046.43
			1998-99	3,499.60	2,519.71	6,019.31
			SEF	1,749.80	1,259.86	3,009.66
02200563-R8	78,170.00	1,563.40	2000-01	3,126.80	2,251.30	5,378.10
Re:02200562-R8		781.70	SEF	1,563.40	1,125.65	2,689.05
			2002	1,563.40	938.04	2,501.44
			SEF	781.70	469.02	1,250.72
			2003	1,563.40	562.82	2,126.22
			SEF	781.70	281.41	1,063.11
			2004	1,563.40	187.61	1,751.01
			SEF	781.70	93.80	875.50
			Total	**18,224.40**	**11,579.00**	**29,803.40**
02200560-R8	135,490.00	2,709.80	Sht tax '97	1,793.00	1,951.06	3,744.06
Re:022-0773-R7		1,354.90	SEF	896.50	975.53	1,872.03
			1998-99	5,419.60	3,902.11	9,321.71
			SEF	2,709.80	1,951.06	4,660.86
02200561-R8	118,920.00	2,378.40	2000-01	4,756.80	3,424.90	8,181.70
Re:02200560-R8		1,189.20	SEF	2,378.40	1,712.45	4,090.85
			2002	2,378.40	1,427.04	3,805.44
			SEF	1,189.20	713.52	1,902.72
			2003	2,378.40	856.22	3,234.62
			SEF	1,189.20	428.11	1,617.31
			2004	2,378.40	285.41	2,663.81
			SEF	1,189.20	142.70	1,331.90
			Total	**28,656.90**	**17,770.10**	**46,427.00**
02200576-R8	3,201,810.00	64,036.20	1997-99	192,108.60	138,318.19	330,426.79
NEW		32,018.10	SEF	96,054.30	69,159.10	165,213.40
02200577-R8	2,920,050.00	58,401.00	2000-01	116,802.00	84,097.44	200,899.44
Re:02200576-R8		29,200.50	SEF	58,401.00	42,048.72	100,449.72
			2002	58,401.00	35,040.60	93,441.60
			SEF	29,200.50	17,520.30	46,720.80
			2003	58,401.00	21,024.36	79,425.36
			SEF	29,200.50	10,512.18	39,712.68
			2004	58,401.00	7,008.12	65,409.12
			SEF	29,200.50	3,504.06	32,704.56
			Total	**726,170.40**	**428,233.07**	**1,154,403.47**
02200574-R8	44,350.00	887.00	1996-99	3,548.00	2,554.56	6,102.56
NEW		443.50	SEF	1,774.00	1,277.28	3,051.28
0220575-R8	24,710.00	494.20	2000-01	988.40	711.65	1,700.05
Re:02200574-R8		247.10	SEF	494.20	355.82	850.02
			2002	494.20	296.52	790.72
			SEF	247.10	148.26	395.36
			2003	494.20	177.91	672.11

			SEF	247.10	88.96	336.06
			2004	494.20	59.30	553.50
			SEF	247.10	29.65	276.75
			Total	**9,028.50**	**5,699.91**	**14,728.41**
02200572-R8	255,910.00	5,118.20	1996-99	20,472.80	14,740.42	35,213.22
NEW		2,559.10	SEF	10,236.40	7,370.21	17,606.61
02200573-R8	157,280.00	3,145.60	2000-01	6,291.20	4,529.66	10,820.86
Re:02200572		1,572.80	SEF	3,145.60	2,264.83	5,410.43
			2002	3,145.60	1,887.36	5,032.96
			SEF	1,572.80	943.68	2,516.48
			2003	3,145.60	1,132.42	4,278.02
			SEF	1,572.80	566.21	2,139.01
			2004	3,145.60	377.47	3,523.07
			SEF	1,572.80	188.74	1,761.54
			Total	**54,301.20**	**34,001.00**	**88,302.20**
02200570-R8	631,160.00	12,623.20	1997-99	37,869.60	27,266.11	65,135.71
NEW		6,311.60	SEF	18,934.80	13,633.06	32,567.86
02200571-R8	468,050.00	9,361.00	2000-01	18,722.00	13,479.84	32,201.84
Re:02200570-R8		4,680.50	SEF	9,361.00	6,739.92	16,100.92
			2002	9,361.00	5,616.60	14,977.60
			SEF	4,680.50	2,808.30	7,488.80
			2003	9,361.00	3,369.96	12,730.96
			SEF	4,680.50	1,684.98	6,365.48
			2004	9,361.00	1,123.32	10,484.32
			SEF	4,680.50	561.66	5,242.16
			Total	**127,011.90**	**76,283.75**	**203,295.65**
02200568-R8	787,930.00	15,758.60	1997-99	47,275.80	34,038.58	81,314.38
NEW		7,879.30	SEF	23,637.90	17,019.29	40,657.19
02200569-R8	701,170.00	14,023.40	2000-01	28,046.80	20,193.70	48,240.50
Re:02200568-R8		7,011.70	SEF	14,023.40	10,096.85	24,120.25
			2002	14,023.40	8,414.04	22,437.44
			SEF	7,011.70	4,207.02	11,218.72
			2003	14,023.40	5,048.42	19,071.82
			SEF	7,011.70	2,524.21	9,535.91
			2004	14,023.40	1,682.81	15,706.21
			SEF	7,011.70	841.40	7,853.10
			Total	**176,089.20**	**104,066.32**	**280,155.52**
			GrandTotal	**14,959,179.45**	**8,544,397.12**	**23,503,576.57**

However, as earlier discussed, the first quarter of year 2000 has already prescribed, thus, the amount of Php676,674.37, detailed below, should be deducted

from the total unpaid real property taxes as of June 2004 covering the taxable years 1995 to 2004:

TD No.	Assessed Value	Tax Due	Years of Delinquency	Full Payment	Penalty	Total
Prescribed: for the 1st quarter of 2000						
02200185-R8	45,991,500.00	574,893.75	1st Qtr 2000	143,723.44	103,480.88	247,204.31
Re:022-0374-R7		287,446.88	SEF	71,861.72	51,740.44	123,602.16
02200559-R8	13,953,650.00	279,073.00	1st Qtr 2000	69,768.25	50,233.14	120,001.39
Re:022-0772-R7,		139,536.50	SEF	34,884.13	25,116.57	60,000.70
02200567-R8	2,732,650.00	54,653.00	1st Qtr 2000	13,663.25	9,837.54	23,500.79
Re:02200566-R8		27,326.50	SEF	6,831.63	4,918.77	11,750.40
02200565-R8	2,556,040.00	51,120.80	1st Qtr 2000	12,780.20	9,201.74	21,981.94
Re:02200564-R8		25,560.40	SEF	6,390.10	4,600.87	10,990.97
02200563-R8	78,170.00	1,563.40	1st Qtr 2000	390.85	281.41	672.26
Re:02200562-R8		781.70	SEF	195.43	140.71	336.13
02200561-R8	118,920.00	2,378.40	1st Qtr 2000	594.60	428.11	1,022.71
Re:02200560-R8		1,189.20	SEF	297.30	214.06	511.36
02200577-R8	2,920,050.00	58,401.00	1st Qtr 2000	14,600.25	10,512.18	25,112.43
Re:02200576-R8		29,200.50	SEF	7,300.13	5,256.09	12,556.22
0220575-R8	24,710.00	494.20	1st Qtr 2000	123.55	88.96	212.51
Re:02200574-R8		247.10	SEF	61.78	44.48	106.25
02200573-R8	157,280.00	3,145.60	1st Qtr 2000	786.40	566.21	1,352.61
Re:02200572		1,572.80	SEF	393.20	283.10	676.30
02200571-R8	468,050.00	9,361.00	1st Qtr 2000	2,340.25	1,684.98	4,025.23
Re:02200570-R8		4,680.50	SEF	1,170.13	842.49	2,012.62
02200569-R8	701,170.00	14,023.40	1st Qtr 2000	3,505.85	2,524.21	6,030.06
Re:02200568-R8		7,011.70	SEF	1,752.93	1,262.11	3,015.03
			Total	**393,415.33**	**283,259.04**	**676,674.37**

Exempt Status

With the issue of prescription firmly dealt with, the next issue to be determined shall be the tax exempt status of the property and when exemption begins and ends.

In the records of the present case, it is not controverted that the said LPHI is owned by APT, the Province and PTA, who are all subdivisions of the National Government or its instrumentalities.

APT, which was created through Proclamation No. 50,[39] states that:

> *"SECTION 34. Exemption from Taxes, Fees, and Other Charges.* – The provisions of any law to the contrary notwithstanding, the Trust as well as the corporations and assets held by it, shall be exempt from all taxes, fees, charges, imposts, and assessments arising from or occasioned by the passing of title over such corporations or assets from the government institutions to the Trust and/or from the Trust to a private acquisitor or buyer imposed by the National Government or any subdivision thereof including but not limited to stock transfer taxes, capital gains taxes, documentary stamps, registration fees and the like: Provided, that in case the said government institutions acquired the said assets by foreclosure, the non-payment of similar taxes, fees, charges, imposts, and assessments shall not be a bar to the consolidation of title in the foreclosing institutions and the subsequent passing of title to the Trust or the corporations held by the Trust.
>
> The sale or transfer of such corporations or assets shall not be enjoined or hindered by the existence of any liens by way of taxes, charges or other assessments in favor of the government at the time of sale or transfer: Provided, that the proceeds from such sale or transfer shall be subject to a tax lien and first be applied to satisfy such obligations secured by said liens."

PTA, on the other hand, was created via Presidential Decree No. 189.[40] It was through the amendment in Presidential Decree No. 1175,[41] which gave it its tax exempt status when it stated that:

> *"SECTION 2. Section 36 is hereby amended by adding a new paragraph to read as follows:*

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[39] Proclaiming and Launching a Program for the Expeditious Disposition and Privatization of Certain Government Corporations and/or the Assets Thereof, and Creating the Committee on Privatization and the Asset Privatization Trust, dated December 8, 1986.
[40] Amending Part IX of the Integrated Reorganization Plan by Renaming the Department of Trade and Tourism as the Department of Tourism, and Creating the Department of Tourism with a Philippine Tourist Authority Attached to it in lieu of Philippine Tourist Commission, dated May 11, 1973.
[41] Amending Certain Sections of Presidential Decree No. 189, as amended by Presidential Decree No. 564, Otherwise Known as the Charter of the Philippine Tourism Authority, dated July 28, 1977.

> "The above properties including those acquired by the Authority by pursuance, transfer or assignment shall be exempt from the payment of all taxes of whatever kind and nature imposed by the Republic of the Philippines, its agencies, instrumentalities or political subdivisions."

As such, these entities enjoy tax exempt status, as provided in Section 234(a) of the LGC of 1991, which states that real property owned by the Republic of the Philippines or any of its political subdivisions are exempted from payment of the real property tax except when the beneficial use thereof has been granted, for consideration or otherwise, to a taxable person.[42]

Tax exemption of property owed by the Republic of the Philippines refers to properties owned by the Government and by its agencies which do not have separate and distinct personalities.[43] This point is clear and uncontested.

However, due to the factual circumstances of this case, the question on when the determination of exempt status begins and ends needs to be addressed.

Instructive is Section 246 of the LGC of 1991, which states that the accrual of the real property tax shall be on the first day of January. Therefore, from the standpoint of the law, the determination of whether or not a property is exempt from tax should be based on its circumstances as of the first day of January. Thus, if on the said date of accrual the subject real property is deemed exempt under Section 234, or another governing law, it would be logical to conclude that there accrues no real property taxes for the taxable year. Conversely, if at the said date it does not qualify for a tax exemption under the law, the liability to pay for real property taxes for the taxable year accrues.

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[42] City of Baguio v. Busuego, G.R. No. L-29772, September 18, 1980. 100 *SCRA* 116.
[43] National Development Company v. Cebu City, G.R. No. 51593, November 5, 1992, 215 SCRA 382.

In the present case, the real property is owned by three (3) instrumentalities of the National Government. Given this circumstance, it is thus considered as tax exempt under Section 234(a) of the LGC of 1991 on January 1, 1994, when real property tax accrued for the taxable year 1994. Therefore, at the end of the first and second quarters, there were no liability that became due and demandable.

As stated in the facts, the Province, APT and PTA entered into a contract of lease on September 15, 1994 with UCI to lease the LPHI. As UCI is a taxable entity under the eyes of the law, it would fall under the exemption found in Section 234(a).

The question then arises: Would the beneficial user in this case be liable to pay the real property taxes for the third and fourth quarters, given that the exemption was withdrawn upon the execution of the contract of lease? The answer would be in the negative.

As explained, upon the accrual of the real property tax on January 1, the liabilities thereto will become due and demandable at the end of each quarter. In this case, since the property was held to be exempt for the entire year, there would be no liability that will become due at the end of the last two quarters, even if there has been a change in circumstances. When the property is held exempt, this shall hold true for the entire taxable year.

The change in the taxable status of the property shall only become effective upon the next date of accrual, and in this case, it shall be on January 1, 1995. Upon this date, the property would no longer be exempt, as it is already in the hands of a taxable entity who is the beneficial user thereof.

This matter has already been discussed in several issuances from the Department of Finance ("DOF"),[44] which held that:

> "If the property is not exempt on the tax day, it is liable to taxation for the (fiscal) year although afterwards becomes exempt. For instance, it has been decided that where land has become liable for taxes, it remains so for that year, although subsequently acquired for rendering it exempt."

Thus, it is clear that the determination of whether or not a property is exempt or taxable should consider the circumstances surrounding the property on January 1 of each taxable year. Its status shall remain so for the entire year, despite the change in circumstances. Therefore while it enjoys the tax exemption for the year 1994, this privilege was withdrawn pursuant to the provisions of Section 234(a) of the LGC of 1991.

Liability for Real Property Taxes.

With the resolution on the issue on exemption, We move on to resolve the most important question of who shall be liable for the real property taxes in this case?

Under Article 423 of the New Civil Code ("NCC"), it states that:

> Art. 423. The property of provinces, cities, and municipalities is divided into property for public use and patrimonial property.

The exemption provided by Section 234(a) of the LGC of 1991 makes it clear that whether the property is for public use or patrimonial, it shall not be subject to real property taxes for so long as its beneficial use remains with the local government unit involved.

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[44] Department of Finance ("DOF") Assessment Regulation No. 3-75, Art III[B-2] and DOF Letter dated March 2, 1987 to the Provincial Treasurer of Cebu.

However, when a patrimonial property such as the object of this case, is leased out, the local government in essence undertakes a contract in its private capacity. As such, the exemption on the property itself is no longer available, and the local government unit shall be treated as an ordinary party to the contract. Thus while the property in question is still in the hands of the Government or its instrumentalities, by virtue of the lease, the beneficial use was transferred by the local government to a private entity, thus the property itself is now subject to the provisions on real property taxes.

The provision did not clarify who shall be made liable for the taxes: the registered owner, which in this case is the Government and its instrumentalities, or the taxable entity?

As stated in the facts above, from the September 15, 1994 to the year 2004, the property in question was leased out to UCI, which is a private corporation. When it took over the property, it effectively had actual and/or beneficial use of the same.

The personal liability for the tax delinquency, is generally on whoever is the owner of the real property at the time the tax accrues; where, however, the tax liability is imposed on the beneficial use of the real property such as those owned but leased to private persons or entities by the government, or when the assessment is made on the basis of the actual use thereof, the personal liability is on any person who has such beneficial or actual use at the time of the accrual of the tax.[45]

In real estate taxation, the unpaid tax attaches to the property and is chargeable against the taxable person who had actual or beneficial use and

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[45] Vitug, Jose C. and Acosta, Ernesto D., Tax Law and Jurisprudence [2000 ed.], p. 490.

possession of it regardless of whether or not he is the owner.[46] This has been reiterated in a number of cases decided by the Supreme Court, as can be seen below.

In the case of *Province of Nueva Ecija v. Imperial Mining Co, Inc.*,[47] the Supreme Court held that the policy of taxing real property is on the basis of actual use, even if the user is not the owner. Again in *Testate Estate of Concordia T. Lim v. City of Manila*[48] the High Tribunal held that the unpaid tax attaches to the property and is chargeable against the taxable person who had actual or beneficial use and possession of it regardless of whether or not he is the owner.

This is similar to the case of a Build Operate and Transfer scheme,[49] as in the case wherein a parcel of land placed in the hands of the operator who built the building on it. In exchange for the building, the government granted the operator a certain period where it shall maintain and collect rentals while the ownership of the property was with the municipality. It was held that the operator was the beneficial user of the property, and thus should be liable for the payment of real property tax pursuant to Section 234(a).

These rulings were further affirmed by the Supreme Court in a subsequent case involving the Navotas Fishing Port Complex, which is also managed and operated by the Philippine Fisheries Development Authority ("PFDA"). In consonance with the previous rulings, it held that PFDA is a government instrumentality not subject to real property tax except those portions of the Navotas

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[46] Testate Estate of Concordia T. Lim v. City of , G.R. No. 90639, February 21, 1990, 182 SCRA 482, 486.
[47] G.R. No. L-59463, November 19, 1982, 118 *SCRA* 632.
[48] G.R. No. 90639, February 21, 1990, 182 *SCRA* 482.
[49] DOF Opinion, 3rd Indorsement. October 6, 1997; DOF Opinion, March 24, 1995.

Fishing Port Complex that were leased to taxable or private persons and entities for their beneficial use.[50]

With these above cited cases, it is evident that the taxable entity shall be held for the real property taxes that will accrue. Therefore, in the present case, it shall be UCI who is liable for the unpaid real property taxes from the years 1995 to 2004.

However, in the Contract of Lease signed by the parties, specifically provision number 11.04, it shifts the liability for the taxes towards the Lessor. In fact, the provision provides that **any** payments made by the UCI, as the Lessee, shall be credited against any amount due to the Lessor. This provision belies the extent of the scope of liability taken on by the Lessees.

Several parties that signed the MOA would like this Court to nullify and void the aforesaid provision. This has no merit.

As far as a contract should be, it contains all the essential requisites: consent, object, and cause. The parties executed the document knowing fully that should the lessee be held liable for taxes as the beneficial user, which the lessor would have to reimburse the full amount, as per their agreement. There is nothing to stop UCI from enforcing the above cited provision against the parties designated as Lessors.

As to the allegation of the Province that it was not a party to the Contract, it also holds no merit. As stated in the facts, the Province received its partial share of the lease rentals on the condition that it acknowledges/confirms the Memorandum of Agreement which contained this provision in its whereas clauses:

> *WHEREAS, the parties have agreed that taxes on the Leyte Park Hotel including back taxes and all expenses incurred in conjunction with the lease*

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[50] Philippine Fisheries Development Authority v. Court of Appeals, G.R. No. 150301, October 2, 2007, 534 SCRA 490.

of the said properties shall be borne proportionally by the parties in accordance with the extent and amount of their respective shares as above-specified;

Clearly then, the Province signed the MOA knowing that it was to share in the net rental profits as well as all the taxes and expenses incurred with the Contract of Lease. The provisions in the documents are blatantly clear on that. The act of affixing the signature on these signifies the party's willingness to abide by the said terms.

In sum, UCI being the taxable entity, is held liable for the payment of the real property taxes from the year 1995 to 2004, with the exemption of the first quarter of the year 2000, as that has already prescribed.

In view of the foregoing, the total unpaid real property taxes for the period covering 1995 to 2004, as of June 2004, amounted to P22,826,902.20, computed as follows:

Total unpaid real property taxes covering 1995 to 2004	Php 23,503,576.57
Less: Prescribed for the 1st quarter of 2000	676,674.37
Unpaid real property taxes	**Php 22,826,902.20**

WHEREFORE, the Court hereby **ORDERS** Unimasters Conglomeration, Inc. TO PAY the City Government of Tacloban the amount of **Php22,826,902.20** for the unpaid realty taxes for the years 1995 to 2004.

SO ORDERED.

LOVELL R. BAUTISTA
Associate Justice

WE CONCUR:

ERNESTO D. ACOSTA
Presiding Justice

CAESAR A. CASANOVA
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ERNESTO D. ACOSTA
Presiding Justice