REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
MANILA

LEONARDA K. LEYBA,
Petitioner,

- versus -

BOARD OF ASSESSMENT APPEALS
OF RIZAL PROVINCE,
Respondent.

C.T.A. CASE
NO. 665

X - - - - - - - - - - - - - X

D E C I S I O N

This is an appeal taken by Leonarda K. Leyba from the decision of the Board of Assessment Appeals of Rizal Province, denying her request for exemption from real estate tax of her property located at Baclaran, Parañaque, Rizal.

Petitioner is a doctor of medicine and is the owner of Leyba Clinic and Maternity Hospital located at No. 7, Taft Avenue Extension, Baclaran, Parañaque, Rizal. Assessment for real estate tax having been made on the lot, buildings and other improvements comprising the clinic and hospital, she requested for exemption from the payment thereof pursuant to Section 3, Par. (c), Commonwealth Act No. 470,which request was denied by the Provincial Assessor of Rizal (See Exhibits "B" and "C", pp. 138 & 139, GTA rec.). When petitioner opened a school of midwifery, she informed the latter of such fact and reiterated her request for exemption (See Exhibits "M" and "N", pp. 168 & 169, CTA rec.). Hence, this appeal.

184

Upon motion of petitioner, respondent was declared in default because it failed to file its answer to the petition for review for more than one (1) year. Respondent's motion to set aside this Court's order of default was denied for lack of merit, resulting in the presentation of petitioner's evidence without the presence of respondent and/or his counsel.

During the hearing, evidence was adduced to the effect that out of the 30 beds of the hospital, 18 are for charity patients and 12 for pay patients (See t.s.n. p. 26; Exhibit "A", pp. 83-137, CTA rec.); that the charity patients are given free medical service and medicine; that all the income realized from the hospital is utilized in the maintenance of the charity wards and in its operational expenses and no part of it inures to the benefit of any individual (See t.s.n. pp. 7, 26, 27, 30 & 32; Exhibit "J", pp. 161-165, CTA rec.); that petitioner and her husband, as co-administrators of the hospital, do not receive salaries, although the resident physicians are given monthly salaries (See t.s.n. pp. 26, 30-34); that their personal expenses are paid from rentals of their real estate and from income derived from the medical practice of the husband (See t.s.n. p. 31); and that they likewise operate a school of midwifery recognized by the Government, the income of which is also used for the maintenance of the charity wards of the hospital (See Exhibit "L", p. 167, CTA rec.; t.s.n. pp. 26-27).

This appeal narrows down to the question whether or not the lot, buildings and other improvements of the Leyba Clinic and Maternity Hospital and the Leyba School of Midwifery are exempt from realty tax pursuant to the provisions of the Constitution and Section 3, par. (c) of Commonwealth Act No. 470.

This case is on all fours with the Herrera case, wherein the Supreme Court ruled:

> "x x x x It is well settled, in this connection, that the admission of pay-patients does not detract from the charitable character of a hospital, if all of its funds are devoted 'exclusively to the maintenance of the institution' as a 'public charity' (84 C.J.S., 617; see, also, 51 Am. Jur. 607; Cooley on Taxation, Vol. 2, p. 1562; 144 A.L.R., 1489-1492). In other words, 'where rendering charity is its primary object, and the funds derived from payments made by patients able to pay are devoted to the benevolent purposes of the institution, the mere fact that a profit has been made will not deprive the hospital of its benevolent character' (Prairie Du Chien Sanitarium Co. v. City of Prairie Du Chien, 242 Wis. 262, 7 NW (2d) 832, 144 A.L.R. 1480).
>
> x x x x x x
>
> "Moreover, the exemption in favor of property used exclusively for charitable or educational purposes is 'not limited to property actually indispensable' therefor (Cooley on Taxation, Vol. 2, p. 1430), but extends to facilities which are 'incidental to and reasonably necessary for' the accomplishment of said purposes, such as, in the case of hospitals, 'a school for training nurses, a nurses' home, property use to provide housing facilities for interns, resident doctors, superintendents, and other members of the hospital staff, and recreational facilities

184

for student nurses, interns and residents' (84 C. J.S., 621) such as 'athletic fields,' including 'a farm used for the inmates of the institution' (Cooley on Taxation, Vol. 2, p. 1430).

"Within the purview of the Constitutional exemption from taxation, the St. Catherine's Hospital is, therefore, a charitable institution, and the fact that it admits pay-patients does not bar it from claiming that it is devoted exclusively to benevolent purposes, it being admitted that the income derived from pay-patients is devoted to the improvement of the charity wards, which represent almost two-thirds (2/3) of the bed capacity of the hospital, aside from 'out-charity patients' who come only for consultation.

"Again, the existence of 'St. Catherine's School of Midwifery', with an enrollment of about 200 students, who practice partly in St. Catherine's Hospital and partly in St. Mary's Hospital, which, likewise, belongs to petitioners herein, does not, and cannot, affect the exemption to which St. Catherine's Hospital is entitled under our fundamental law. On the contrary, it furnishes another ground for exemption. Seemingly, the Court of Tax Appeals was impressed by the fact that the size of said enrollment and the matriculation fee charged from the students of midwifery, aside from the amount they paid for board and lodging, including transportation to St. Mary's Hospital, warrants the belief that petitioners derive a substantial profit from the operation of the school aforementioned. Such factor is, however, immaterial to the issue in the case at bar, for 'all lands, buildings and improvements used exclusively for religious, charitable or educational purposes shall be exempt from taxation,' pursuant to the Constitution, regardless of whether or not material profits are derived from the operation of the institutions in question. In other words, Congress may, if it deems fit to do so, impose taxes upon such 'profits', but said 'lands, buildings and improvements' are beyond its taxing power." (Jose V. Herrera, et al vs. the Quezon City Board of Assessment Appeals, G.R. No. L-15270, Sept. 30, 1961; See also Coll. of Int. Rev. vs. St. Paul's Hospital of Iloilo, 12127, May 27, 1959; U.S.T. Hospital Employees Association vs. Sto. Tomas University Hospital L-6988, May 24, 1954)

We find no compelling reason to deviate from the above ruling.

WHEREFORE, the decision of the Board of Assessment Appeals of Rizal Province is hereby reversed and set aside, and another one shall be entered declaring the lot, buildings and improvements constituting the Leyba Clinic and Maternity Hospital and the Leyba School of Midwifery exempt from taxation under the provisions of the Constitution and Sec. 3, Par. (c) of Commonwealth Act No. 470, without pronouncement as to costs.

SO ORDERED.

Manila, January 24, 1963.

MARIANO NABLE
Presiding Judge

We concur:

AUGUSTO M. LUCIANO
Associate Judge

ROMAN M. UMALI
Associate Judge