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to locate the title. This dismissal is obviously without prejudice to the right of PBCOM, as the undisputed registered owner, to subsequently and sufficiently prove that the owner's duplicate of TCT No. 21320 has indeed been lost.

WHEREFORE, the Petition is **GRANTED**. The February 23, 2015 Decision and February 12, 2016 Resolution in CA-G.R. SP No. 126081 of the Court of Appeals are hereby **SET ASIDE**. The petition for replacement of the lost Owner's Duplicate Transfer Certificate of Title No. 21320 in LRC Adm. Case No. 12-AD-1401 is hereby **REINSTATED**. The Regional Trial Court, Branch 63, La Trinidad, Benguet is hereby **DIRECTED** to hear the petition with immediate dispatch.

SO ORDERED.

Peralta, C.J. (Chairperson), Reyes, J. Jr., Lazaro-Javier, and *Lopez, JJ.*, concur.

FIRST DIVISION

[G.R. No. 225409. March 11, 2020]

PHILIPPINE HEART CENTER, *petitioner*, *vs.* **THE LOCAL GOVERNMENT OF QUEZON CITY, CITY MAYOR OF QUEZON CITY, CITY TREASURER OF QUEZON CITY and CITY ASSESSOR OF QUEZON CITY,** *respondents*.

SYLLABUS

1. REMEDIAL LAW; CIVIL PROCEDURE; FORUM SHOPPING; VERIFICATIONS AND CERTIFICATIONS AGAINST FORUM SHOPPING SIGNED IN BEHALF OF A CORPORATION BUT WITHOUT AUTHORITY FROM

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ITS BOARD IS DEFECTIVE; IT AFFECTS THE FORM OF THE PLEADING BUT DOES NOT WARRANT OUTRIGHT DISMISSAL OF THE CASE.— An individual cannot exercise any corporate power pertaining to a corporation without authority from its board of directors. Physical acts of the corporation, like the signing of documents, can be performed only by natural persons duly authorized for the purpose. Consequently, verifications and certifications against forum shopping purportedly signed in behalf of the corporation but without the requisite board resolution authorizing the same are defective. Such defect, however, merely affects the form of the pleading and does not necessarily warrant the outright dismissal of the case. In fact, courts may order the correction of the unverified pleading or even act on it despite the infirmity to ensure that the ends of justice are served. x x x Here, although the PHC did not expressly authorize Dr. Manzo to sign the petition's verification and certificate against forum shopping in its behalf, Dr. Manzo, as Officer-in-Charge Executive Director of the PHC pursuant to DOH Order No. 2016-2359-A dated August 5, 2016, is indubitably in a position to verify the truthfulness of the allegations in the petition. Too, considering further the substantive issues involved here, liberal application of the rules is warranted so the ends of justice may be served.

2. POLITICAL LAW; CONSTITUTIONAL LAW; JUDICIARY; EXPANDED POWER OF JUDICIAL REVIEW; MAY BE INVOKED THROUGH SPECIAL CIVIL ACTIONS FOR *CERTIORARI* OR PROHIBITION UNDER RULE 65 OF THE RULES OF COURT; CASE AT BAR.— Article VIII, Section 1 of the 1987 Constitution empowers the Court to determine whether there has been grave abuse of discretion amounting to lack or excess of jurisdiction on the part of any branch or instrumentality of the Government. This is the Court's expanded power of judicial review which may be invoked through special civil actions for *certiorari* or prohibition under Rule 65 of the Rules of Court. The remedies of *certiorari* and prohibition may issue to correct errors of jurisdiction committed not only by a tribunal, corporation, board or officer exercising judicial, quasi-judicial or ministerial functions but also to set right, undo and restrain any act of grave abuse of discretion amounting to lack or excess of jurisdiction by any branch or instrumentality of the government, even if the latter does not

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exercise judicial, quasi-judicial or ministerial functions. Here, the PHC correctly availed of the remedy of *certiorari* before the Court of Appeals when it assailed the validity of respondents' assessment, levy and sale of its eleven (11) properties in Quezon City. Although respondents' acts were neither judicial nor quasi-judicial in nature, the same may still be the proper subject of *certiorari* when tainted with grave abuse of discretion amounting to lack or excess of jurisdiction. In its petition for *certiorari* before the Court of Appeals, the PHC charged respondents with grave abuse of discretion when they imposed and assessed taxes on its properties despite the PHC's claimed exemption pursuant to PD 673, LOI 1455, Article III, Section 28(3) of the 1987 Constitution, Section 234(b) of RA 7160, and the *MIAA* and *MCIAA* cases. Should their argument merit the grant of affirmative relief, *certiorari* may properly issue to nullify respondents' acts.

3. ID.; THE LOCAL GOVERNMENT CODE (RA 7160); POWER OF LOCAL GOVERNMENT UNITS TO TAX REAL PROPERTY IS RECOGNIZED; EXEMPTIONS; PROPERTY OWNED BY THE REPUBLIC IS EXEMPTED FROM REAL PROPERTY TAXES.— Local government units are empowered to create their own sources of revenues and to levy taxes, fees, and charges subject to guidelines and limitations as Congress may provide. On this score, Section 232 of RA 7160 recognizes the power of the local government units to tax real property not otherwise exempt, x x x Section 234(a) of RA 7160 further exempts real property owned by the Republic from real property taxes, x x x Indeed, real properties owned by the Republic, whether titled in the name of the Republic itself or in the name of agencies or instrumentalities of the national government, are exempt from real property tax.

4. ID.; ADMINISTRATIVE LAW; AGENCY CLASSIFIED AS GOVERNMENT INSTRUMENTALITY VESTED WITH CORPORATE POWERS; IT PERFORMS GOVERNMENTAL FUNCTIONS AND ENJOYS OPERATIONAL AUTONOMY.— Section 2(10) of Executive Order (EO) 292, the Administrative Code of 1987, defines an "Instrumentality" as "any agency of the National Government, not integrated within the department framework, vested with special functions or jurisdiction by law, **endowed with some if not all corporate powers**, administering special funds, and

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enjoying operational autonomy, usually through a charter." From this definition, the category of an ***instrumentality with corporate powers*** was born. x x x [I]n addition to government-owned and controlled corporations (GOCCs) and instrumentalities, a third category of government agencies under the jurisdiction of the OGCC is now recognized — *government instrumentalities vested with corporate powers or government corporate entities*. These entities remain government instrumentalities because they are not integrated within the department framework and are vested with special functions to carry out a declared policy of the national government. An agency will be classified as a government instrumentality vested with corporate powers when the following elements concur: a) it performs governmental functions, and b) it enjoys operational autonomy.

5. ID.; ID.; ID.; THE PHILIPPINE HEART CENTER (PHC) IS A GOVERNMENT INSTRUMENTALITY VESTED WITH CORPORATE POWERS; IT IS UNDER THE SUPERVISION OF THE DEPARTMENT OF HEALTH (DOH) AND CARRIES OUT GOVERNMENT POLICIES IN PURSUIT OF ITS OBJECTIVES.— The Philippine Heart Center (PHC) [is a government instrumentality with corporate powers.] Although not integrated in the department framework, the PHC is under supervision of the DOH and carries out government policies in pursuit of its objectives in Section 4 of PD 673, x x x [T]he PHC's enumerated functions are less commercial than governmental, and more for public use and public welfare than for profit-oriented services. As such, the PHC is authorized to "call upon any department, bureau, office, agency or instrumentality of the Government, including government-owned or controlled corporations, for such assistance as it may need in the pursuit of its purposes and objectives." Too, the PHC is vested with corporate powers under Section 5 of PD 673: x x x The provision itself vests the PHC with all the powers of a juridical entity under Section 35 of RA 11232, the Revised Corporation Code of the Philippines. The general clauses in paragraphs 8 and 9 of Section 5, PD 673 likewise authorize the PHC to adopt rules and perform acts necessary to accomplish its purposes. The PHC therefore bears the essential characteristics of a government instrumentality vested with corporate powers, exempt from real property taxes. Indeed, the PHC's corporate status does not divest itself of its character as a government

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instrumentality. These are not polar opposites. For despite its corporate status, it is really the resources and reputation of the Republic that are at stake in the capitalization and operations of the government entity.

6. ID.; THE LOCAL GOVERNMENT CODE (RA 7160); REAL PROPERTY TAXES; EXEMPTIONS; THE PROPERTIES OF THE PHC ARE PROPERTIES OF PUBLIC DOMINION DEVOTED TO PUBLIC USE AND WELFARE AND THEREFORE, EXEMPT FROM REAL PROPERTY TAXES AND LEVY.— Under Article 420 of the Civil Code, the following things are property of public dominion: (1) Those intended for public use, such as roads, canals, rivers, torrents, ports and bridges constructed by the State, banks, shores, roadsteads, and others of similar character; and (2) Those which belong to the State, without being for public use, and are intended for some public service or for the development of the national wealth. Given the mandate and purpose of the PHC, its properties are thus properties of public dominion intended for public use or service. As such, they are exempt from real property tax under Section 234(a) of the Local Government Code.

7. ID.; ID.; ID.; ID.; REAL PROPERTY OWNED BY THE REPUBLIC IS EXEMPT FROM REAL PROPERTY TAXES *EXCEPT WHEN THE BENEFICIAL USE THEREOF HAS BEEN GRANTED TO A TAXABLE PERSON.*— [T]he fact that the PHC may have entered into transactions with regard to its properties, short of alienating them, does not detract from their characterization as properties of public dominion for public use or public service. For what is important is the role, nexus, and relevance that these properties play in the public use or public service purposes of the PHC. Indeed, the core of the PHC's mission is patient care. The government established the PHC specifically to secure the well-being of the people by providing them specialized treatment for heart and allied diseases, x x x [However], Section 234(a) of RA 7160 exempts real property owned by the Republic from real property taxes **except when the beneficial use thereof has been granted, for consideration or otherwise, to a taxable person** (commercial establishments). Thus, the Court has invariably held that a government instrumentality, though vested with corporate powers, are exempt from real property tax but the exemption shall not extend to taxable private entities to whom the beneficial use of the

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government instrumentality's properties has been vested. x x x Notably, it is the "taxable person" with beneficial use who shall be responsible for payment of real property taxes due on government properties. Any remedy for the collection of taxes should then be directed against the "taxable person," the same being an action *in personam*.

APPEARANCES OF COUNSEL

Office of the Government Corporate Counsel for petitioner.
Office of the City Attorney for respondents.

D E C I S I O N

LAZARO-JAVIER, *J.*:

The Case

This petition for review on *certiorari* assails the following dispositions of the Court of Appeals in CA-G.R. SP No. 121019 entitled *Philippine Heart Center versus the Local Government of Quezon City, City Mayor of Quezon City, City Treasurer of Quezon City and City Assessor of Quezon City*:

1. Decision dated March 15, 2016,[1] dismissing the Philippine Heart Center's (PHC's) petition for *certiorari* for being the wrong remedy against a supposedly void assessment, levy, and sale of real property; and

2. Resolution dated June 23, 2016,[2] denying the PHC's motion for reconsideration.

Antecedents

In 1975, the PHC was established under Presidential Decree 673[3] (PD 673) as a specialty hospital mandated to provide expert

[1] Penned by Associate Justice Ma. Luisa C. Quijano-Padilla and concurred in by Associate Justices Normandie B. Pizarro and Samuel H. Gaerlan (now a member of this Court); *rollo*, p. 17.

[2] *Rollo*, p. 32.

[3] Creating the Philippine Heart Center for Asia, March 19, 1975.

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comprehensive cardiovascular care to the general public, especially the poor and less fortunate in life.[4]

To enable the PHC to perform its mandate, the national government provided the initial land, building, equipment and facilities needed for its establishment.[5] PD 673 also authorized the PHC to acquire properties; to enter into contracts; and to mortgage, encumber, lease, sell, convey or dispose of its properties.[6] More, it exempted the PHC from "the payment of all taxes, charges, fees imposed by the Government or any political subdivision or instrumentality thereof" for a period of ten (10) years.[7] In 1985, then President Ferdinand E. Marcos issued Letter of Instruction (LOI) 1455 extending the tax exemption "without interruption."[8]

Among the properties owned by the PHC were eleven (11) land and buildings in Quezon City under the following tax declarations: (1) C-021-01200; (2) D-021-02081; (3) C-021-01201; (4) D-021-02082; (5) C-021-01202; (6) D-021-02542; (7) D-021-03359; (8) D-021-02541; (9) E-021- 00006; (10) E-021-01049 and (11) E-021-01049.[9]

In 2004 respondent Quezon City Government issued three (3) final Notices of Delinquency for unpaid real property taxes of Php36,530,545.00 pertaining to the eleven (11) afore-cited properties of the PHC. The notices were unheeded, thus, respondent Quezon City Treasurer levied on the PHC's properties.[10]

Aggrieved, the PHC wrote then President Gloria M. Macapagal-Arroyo for condonation or reduction of the taxes

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[4] Presidential Decree 673, Section 4.

[5] Presidential Decree 673, Section 2.

[6] Presidential Decree 673, Section 5 (1-3).

[7] Presidential Decree 673, Section 6.

[8] Letter of Instruction 1455, Section 1.

[9] *Rollo,* p. 122.

[10] *Id.*

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assessed on its properties. But since its letter was not acted upon, the PHC entered into a Memorandum of Agreement (MOA) with the Quezon City Government as a means to settle its tax liabilities. Under this MOA, the PHC agreed to provide free medical services to qualified residents of Quezon City until the accumulated monetary value of these services was sufficient to cover the real property taxes it owed.[11]

Under Memorandum dated August 22, 2006, the Office of the Government Corporate Counsel (OGCC) informed the PHC of the Court's ruling in *Manila International Airport Authority v. Court of Appeals*[12] (*MIAA*). There, the Court declared that government entities are exempt from taxes, fees or charges of any kind that may be imposed by any local government unit. It also advised all government instrumentalities under its jurisdiction to suspend any payment of local tax liability pending the finality of the Court's ruling. Consequently, the PHC withheld the efficacy of its MOA with the Quezon City Government.[13]

Subsequently, in November 2010, a new MOA was forged between the PHC and the Quezon City Government containing the same stipulations in their earlier agreement. The PHC, however, suspended the implementation of the second MOA when Dr. Manuel T. Chua Chiaco, Jr. became Executive Director. It also reiterated its exemption from payment of taxes based on the OGCC's August 22, 2006 Memorandum.[14]

The Quezon City Government, nonetheless, stood firm on its position that the PHC was and still remained liable for real property taxes since a major portion of its properties were being leased to private individuals. Thus, on June 1, 2001, it issued two (2) Final Notices of Tax Delinquency to the PHC. On June 13, 2011, respondent Quezon City Treasurer issued a Warrant of Levy for the PHC's failure to pay real property taxes despite

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[11] *Id.* at 122-123.

[12] 528 Phil. 181, 226-227 (2006).

[13] *Rollo*, p. 123.

[14] *Id.* at 123-124.

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due notice. On July 7, 2011, after due publication, all the properties were sold to the Quezon City Government, the lone bidder during the public auction.[15]

On September 1, 2011, the PHC filed a petition for *certiorari* before the Court of Appeals, claiming respondents Quezon City Government, Mayor, Treasurer and Assessor gravely abused their discretion when they assessed, levied and sold its properties. It asserted that under the Court's ruling in *MIAA*, it was exempt from taxes, fees and charges imposed by a local government unit. Further, as a charitable institution, the real properties it owned which were actually, directly and exclusively used for charitable purposes were exempt from real property taxes.[16]

In its Comment, respondents moved to dismiss the petition for the PHC's failure to exhaust administrative remedies. They also pointed to the PHC's failure to comply with the formal requirements of verification and certification against forum shopping since Dr. Chua Chiaco, Jr. was not duly authorized by the PHC to sign these documents in its behalf. Too, the Court of Appeals could not have acquired jurisdiction over the petition since the PHC failed to pay the deposit required under Section 267 of Republic Act (RA) 7160,[17] otherwise known as the Local Government Code. As for the substantive aspect, respondents claim that the PHC failed to clearly show the basis of its tax exemption.[18]

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[15] *Id.* at 124.

[16] *Id.* at 125.

[17] Section 267. *Action Assailing Validity of Tax Sale*. - No court shall entertain any action assailing the validity or any sale at public auction of real property or rights therein under this Title until the taxpayer shall have deposited with the court the amount for which the real property was sold, together with interest of two percent (2%) per month from the date of sale to the time of the institution of the action. The amount so deposited shall be paid to the purchaser at the auction sale if the deed is declared invalid but it shall be returned to the depositor if the action fails.

Neither shall any court declare a sale at public auction invalid by reason or irregularities or informalities in the proceedings unless the substantive rights of the delinquent owner of the real property or the person having legal interest therein have been impaired.

[18] *Rollo*, pp. 24 and 125.

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The Rulings of the Court of Appeals

In its Decision dated September 25, 2012,[19] the Court of Appeals dismissed the petition for failure of the PHC to exhaust administrative remedies available to it under Section 252 of RA 7160, *viz*:

Section 252. *Payment Under Protest*. —

(a) No protest shall be entet1ained unless the taxpayer first pays the tax. There shall be annotated on the tax receipts the words "paid under protest". The protest in writing must be filed within thirty (30) days from payment of the tax to the provincial, city treasurer or municipal treasurer, in the case of a municipality within Metropolitan Manila Area, who shall decide the protest within sixty (60) days from receipt.

(b) The tax or a portion thereof paid under protest, shall be held in trust by the treasurer concerned.

(c) In the event that the protest is finally decided in favor of the taxpayer, the amount or portion of the tax protested shall be refunded to the protestant, or applied as tax credit against his existing or future tax liability.

(d) In the event that the protest is denied or upon the lapse of the sixty-day period prescribed in subparagraph (a), the taxpayer may avail of the remedies as provided for in Chapter 3, Title II, Book II of this Code.

The availability of a plain, speedy and adequate remedy allegedly did not only bar the PHC from resorting to the extraordinary remedy of *certiorari*, it also rendered the PHC's action premature.[20]

On reconsideration, the PHC argued that the doctrine of exhaustion of administrative remedies is not iron-clad and the Court had in fact recognized several exceptions thereto.[21] It

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[19] Penned by Associate Justice Ricardo R. Rosario and concurred in by Associate Justices Rosmari D. Carandang (now a member of this Court) and Leoncia Real-Dimagiba; *rollo*, p. 121.

[20] *Rollo*, pp. 128-130.

[21] The PHC enumerated the exceptions to the doctrine exhaustion of

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argued that the Court of Appeals may already take cognizance of its petition since: (1) respondents' act of imposing real property taxes on its properties is patently illegal; (2) the issue of whether it is exempt from paying real property taxes is a pure question of law; and (3) it would be unreasonable to require the PHC to exhaust administrative remedies considering that its properties were already levied and sold through public auction.[22]

By Resolution dated March 18, 2013, the Court of Appeals reinstated the petition. It held that the remedies under Section 252 of RA 7160 are no longer plain, speedy, nor adequate since the properties in issue had already been auctioned off and sold to the Quezon City Government. There was also an urgent need for judicial intervention since the PHC "is a vital cog in the government's public health program" and "there is no telling what its future as a leading government cardiovascular hospital would be" should its properties be transferred to the Quezon City Government.[23]

As for PHC's alleged failure to comply with the deposit requirement under Section 267 of RA 7160, the Court of Appeals ruled that the provision does not apply where the government

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administrative remedies as follows: (1) Where there is a violation of due process; (2) When the issue involved is a purely legal question; (3) When the administrative action is patently illegal; (4) When there is estoppel on the part of the administrative agency concerned; (5) When there is irreparable injury; (6) When respondent is a department agency whose acts, as an alter ego of the President, bear the implied and assumed approval of the latter; (7) When to require exhaustion of administrative remedies would be unreasonable; (8) When it would amount to a nullification of a claim; (9) When the subject matter is a private land in land case proceedings; (10) When the rule does not provide a plain, speedy and adequate remedy; (11) When there are circumstances indicating the urgency of judicial intervention and unreasonable delay would greatly prejudice the complainant; (12) When no administrative review is provided by law; (13) Where the rule of qualified political agency applies; and (14) When the issue of non-exhaustion of administrative remedies has been rendered moot; *Rollo*, pp. 10-11;

[22] *Rollo*, p. 11.

[23] *Id.* at 12.

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or any of its agencies is plaintiff, as in this case. *National Housing Authority v. Iloilo City*[24] elucidated:

> The deposit requirement, to be sure, is not a tax measure. As expressed in Section 267 itself, the amount deposited shall be paid to the purchaser at the auction sale if the deed is declared invalid; otherwise, it shall be returned to the depositor. The deposit, equivalent to the value for which the real property was sold plus interest, is essentially meant to reimburse the purchaser of the amount he had paid at the auction sale should the court declare the sale invalid.
>
> Clearly, the deposit precondition is an ingenious legal device to guarantee the satisfaction of the tax delinquency, with the local government unit keeping the payment on the bid price no matter the final outcome of the suit to nullify the tax sale. Thus, the requirement is not applicable if the plaintiff is the government or any of its agencies as it is presumed to be solvent,[8] and more so where the tax exempt status of such plaintiff as basis of the suit is acknowledged. In this case, NHA is indisputably a tax-exempt entity whose exemption covers real property taxes and so its property should not even be subjected to any delinquency sale. Perforce, the bond mandated in Section 267, whose purpose it is to ensure the collection of the tax delinquency should not be required of NHA before it can bring suit assailing the validity of the auction sale.

Respondents' motion for reconsideration was denied on September 27, 2013.[25]

By its assailed Decision dated March 15, 2016, however, the Court of Appeals dismissed anew the PHC's petition for *certiorari*. Although it found the petition to have been properly verified and accompanied by a certificate against forum shopping,[26] it was nevertheless an improper remedy to assail the acts of respondents.[27] *Certiorari* would lie only against the

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[24] 584 Phil. 604, 611 (2008).

[25] *Rollo*, p. 8.

[26] A Board Resolution authorizing Dr. Manuel T. Chua Chiaco, Jr. to file the petition for *certiorari* was attached to the CA *rollo*; *rollo*, pp. 24-25.

[27] *Rollo*, p. 27.

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exercise of judicial or quasi-judicial functions. But when respondents assessed, levied, and sold the properties of the PHC, they were not acting in any judicial or quasi-judicial capacity. The PHC's choice of remedy was, therefore, fatal to its case. Consequently, the Court of Appeals no longer delved into the merits of the PHC's arguments.[28]

The PHC moved for reconsideration which was denied under Resolution dated June 23, 2016.[29]

The Present Petition

The PHC now urges this Court to nullify the Court of Appeals' Decision dated March 15, 2016 and Resolution dated June 23, 2016.

It asserts that it availed of the proper remedy of *certiorari* before the Court of Appeals when it challenged the authority of the Quezon City Government to assess it with real property taxes. It cites *MIAA and Mactan Cebu International Airport Authority v. City of Lapu-Lapu*[30] (*MCIAA*) wherein the Court supposedly allowed the same remedy under similar circumstances. Even assuming there were indeed procedural infirmities in filing the petition for *certiorari*, considerations of equity and substantial justice present cogent reasons to relax the rules.[31]

On the merits, the PHC reiterates its claim for exemption from real property taxes pursuant to PD 673 and LOI 1455.[32] It also argues that under Article III, Section 28(3) of the 1987 Constitution[33] and Section 234(b) of RA 7160,[34] charitable

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[28] *Id.* at 27-29.

[29] *Id.* at 32.

[30] 759 Phil. 296, 352 (2015).

[31] *Rollo*, pp. 42-44.

[32] *Id.* at 45.

[33] (3) Charitable institutions, churches and parsonages or convents appurtenant thereto, mosques, non-profit cemeteries, and all lands, buildings, and improvements, actually, directly, and exclusively used for religious, charitable, or educational purposes shall be exempt from taxation.

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institutions are exempt from paying real property taxes on its properties which are being actually, directly, and exclusively being used for charitable purposes.[35]

At any rate, it is exempt from real property taxes as a government instrumentality.[36] The Court has recognized this exemption in the following cases: (1) *Philippine Fisheries Development Authority (PFDA) v. Central Board of Assessment Appeals;*[37] (2) *Government Service Insurance System v. City Treasurer and City Assessor of the City of Manila*;[38] (3) *Manila International Airport Authority v. City of Pasay*;[39] (4) *National Housing Authority v. Iloilo City as represented by its Mayor*;[40] (5) *Philippine Fisheries Development Authority (PFDA) v. The Honorable Court of Appeals*;[41] and (6) *Philippine Fisheries Development Authority (PFDA) v. Court of Appeals.*[42]

In its Comment/Opposition,[43] respondents riposte:

First, the PHC failed to comply with the rule on verification and non-forum shopping. It did not attach a Board Resolution

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[34] Section 234. Exemptions from Real Property Tax. — The following are exempted from payment of the real property tax:

x x x x x x x x x

(b) Charitable institutions, churches, parsonages or convents appurtenant thereto, mosques, non-profit or religious cemeteries and all lands, buildings, and improvements actually, directly, and exclusively used for religious, charitable or educational purposes;

x x x x x x x x x

[35] *Rollo*, pp. 45-50.

[36] *Id.* at 50-56.

[37] 653 Phil. 328 (2010).

[38] 623 Phil. 964 (2009).

[39] 602 Phil. 160 (2009).

[40] 584 Phil. 604 (2008).

[41] 560 Phil. 738 (2007).

[42] 555 Phil. 661 (2007).

[43] *Rollo*, p. 154.

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or Secretary's Certificate authorizing Dr. Gerardo S. Manzo to file the petition and sign the appended verification and certification against forum shopping;[44]

Second, the PHC failed to exhaust administrative remedies when it filed its petition before the Court of Appeals instead of availing of the remedies available under Section 277 of Ordinance No. SP-91, S. 1993, otherwise known as the Quezon City Revenue Code, *i.e.* any protest against a tax assessment may be filed before the City Treasurer through the Board of Tax Appeals after payment of the assessed tax "under protest." Section 266 of the same Ordinance further provides for administrative appeal before the Board of Tax Appeals as condition *sine qua non* to judicial action.[45]

Third, the PHC is not exempt from real property taxes because it granted the beneficial use of its properties to commercial establishments such as Globe Telecom, Inc., Jollibee Foods Corporation, Course Development, Inc. and Proheart Food Corp. (Chowking). If it were indeed exempt from real property taxes, it should have proved so pursuant to Section 206 of RA 7160,[46] *viz*:

Section 206. *Proof of Exemption of Real Property from Taxation.* — Every person by or for whom real property is declared, who shall claim tax exemption for such property under this Title shall file with the provincial, city or municipal assessor within thirty (30) days from the date of the declaration of real property sufficient documentary evidence in support of such claim including corporate charters, title of ownership, articles of incorporation, by-laws, contracts, affidavits, certifications and mortgage deeds, and similar documents.

If the required evidence is not submitted within the period herein prescribed, the property shall be listed as taxable in the assessment roll. However, if the property shall be proven to be tax exempt, the same shall be dropped from the assessment roll.

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[44] *Id.* at 155-156.

[45] *Id.* at 156-158.

[46] *Id.* at 158-160.

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In its Reply,[47] the PHC counters that it appended to the petition copy of Department of Health (DOH) Order No. 2016-2359-A dated August 5, 2016, bearing the designation of Dr. Manzo as PHC Officer-in-Charge Executive Director. As for its alleged failure to exhaust administrative remedies, this issue had long been settled by the Court of Appeals in its favor. Finally, it reiterates its substantive arguments in support of its claim for exemption from real property taxes.

Threshold Issues

Whether the PHC's recourse ought to be dismissed for failure to exhaust administrative remedies had already been resolved with finality by the Court of Appeals in Resolution dated March 18, 2013. Under the doctrine of finality or immutability of judgment, a decision that has acquired finality becomes immutable and unalterable, and may no longer be modified in any respect, even if the modification is meant to correct erroneous conclusions of fact and law.[48]

Hence, the only remaining issues are:

1. Did the PHC comply with the required verification and certification against forum shopping?
2. Is a petition for *certiorari* the proper remedy to challenge respondents' assessment, levy, and sale of its properties for failure to pay real property taxes thereon?
3. Is the PHC exempt from paying real property taxes on its eleven (11) properties in Quezon City?

Ruling

The petition substantially complied with the rules on verification and certification against forum shopping

An individual cannot exercise any corporate power pertaining to a corporation without authority from its board of directors.

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[47] *Id.* at 175.

[48] *Re: Karen Herico Licerio*, G.R. No. 208005, November 21, 2018.

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Physical acts of the corporation, like the signing of documents, can be performed only by natural persons duly authorized for the purpose. Consequently, verifications and certifications against forum shopping purportedly signed in behalf of the corporation but without the requisite board resolution authorizing the same are defective.[49]

Such defect, however, merely affects the form of the pleading and does not necessarily warrant the outright dismissal of the case. In fact, courts may order the correction of the unverified pleading or even act on it despite the infirmity to ensure that the ends of justice are served.[50] ***Cagayan Valley Drug Corporation v. Commissioner of Internal Revenue***[51] is apropos:

> In a slew of cases, however, we have recognized the authority of some corporate officers to sign the verification and certification against forum shopping. **In *Mactan-Cebu International Airport Authority v. CA*, we recognized the authority of a general manager or acting general manager to sign the verification and certificate against forum shopping**; in *Pfizer v. Galan*, we upheld the validity of a verification signed by an "employment specialist" who had not even presented any proof of her authority to represent the company; in *Novelty Philippines, Inc. v. CA*, we ruled that a personnel officer who signed the petition but did not attach the authority from the company is authorized to sign the verification and non-forum shopping certificate; and in *Lepanto Consolidated Mining Company v. WMC Resources International Pty. Ltd. (Lepanto)*, we ruled that the Chairperson of the Board and President of the Company can sign the verification and certificate against non-forum shopping **even without the submission of the board's authorization**. (emphases added)

Cagayan Valley Drug Corporation cited cases like *Mactan-Cebu International Airport Authority v. Court of Appeals*,[52]

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[49] *Swedish Match Philippines, Inc. v. The Treasurer of City of Manila*, 713 Phil. 240, 247 (2013).

[50] *Id.*

[51] 568 Phil. 572, 580-581 (2008).

[52] 399 Phil. 695 (2000).

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Pfizer v. Galan,[53] *Novelty Philippines, Inc. v. Court of Appeals*,[54] and *Lepanto Consolidated Mining Company v. WMC Resources International Pty. Ltd.*[55] Where the Court invariably recognized the authority of some corporate officer to sign the verification and certificate against forum shopping, albeit they had not even presented any proof of their authority to represent the company. In all these cases, the Court accepted as proper the signatories' verification and certification against forum shopping because these signatories were in a position to verify the truthfulness and correctness of the allegations in their respective petitions. This is the Court's standard in gauging whether there was substantial compliance with Rule 7, Sections 4 and 5[56] of the Rules of Court.[57]

Here, although the PHC did not expressly authorize Dr. Manzo to sign the petition's verification and certificate against forum shopping in its behalf, Dr. Manzo, as Officer-in-Charge Executive Director of the PHC pursuant to DOH Order No. 2016-2359-A

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[53] 410 Phil. 483 (2001).

[54] 458 Phil. 36 (2003).

[55] 458 Phil. 36 (2003).

[56] **Section 4.** *Verification.* — x x x

A pleading is verified by an affidavit that the affiant has read the pleading and that the allegations therein are true and correct of his knowledge and belief.

x x x x x x x x x

Section 5. *Certification against forum shopping.* — The plaintiff or principal party shall certify under oath in the complaint or other initiatory pleading asserting a claim for relief, or in a sworn certification annexed thereto and simultaneously filed therewith: (a) that he has not theretofore commenced any action or filed any claim involving the same issues in any court, tribunal or quasi-judicial agency and, to the best of his knowledge, no such other action or claim is pending therein; (b) if there is such other pending action or claim, a complete statement of the present status thereof; and (c) if he should thereafter learn that the same or similar action or claim has been filed or is pending, he shall report that fact within five (5) days therefrom to the court wherein his aforesaid complaint or initiatory pleading has been filed. x x x

[57] *Supra* note 51.

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dated August 5, 2016, is indubitably in a position to verify the truthfulness of the allegations in the petition. Too, considering further the substantive issues involved here, liberal application of the rules is warranted so the ends of justice may be served.

The PHC properly availed of the extraordinary remedy of *certiorari* before the Court of Appeals

Article VIII, Section 1 of the 1987 Constitution empowers the Court to determine whether there has been grave abuse of discretion amounting to lack or excess of jurisdiction on the part of any branch or instrumentality of the Government.[58] This is the Court's expanded power of judicial review which may be invoked through special civil actions for *certiorari* or prohibition under Rule 65 of the Rules of Court.

The remedies of *certiorari* and prohibition may issue to correct errors of jurisdiction committed not only by a tribunal, corporation, board or officer exercising judicial, quasi-judicial or ministerial functions but also to set right, undo and restrain any act of grave abuse of discretion amounting to lack or excess of jurisdiction by any branch or instrumentality of the government, even if the latter does not exercise judicial, quasi-judicial or ministerial functions.[59]

Here, the PHC correctly availed of the remedy of *certiorari* before the Court of Appeals when it assailed the validity of respondents' assessment, levy and sale of its eleven (11) properties in Quezon City. Although respondents' acts were neither judicial nor quasi-judicial in nature, the same may still

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[58] Section 1. The judicial power shall be vested in one Supreme Court and in such lower courts as may be established by law.

Judicial power includes the duty of the courts of justice to settle actual controversies involving rights which are legally demandable and enforceable, and to determine whether or not there has been a grave abuse of discretion amounting to lack or excess of jurisdiction on the part of any branch or instrumentality of the Government.

[59] *Ifurung v. Hon. Carpio Morales*, G.R. No. 232131, April 24, 2018.

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be the proper subject of *certiorari* when tainted with grave abuse of discretion amounting to lack or excess of jurisdiction.

In its petition for *certiorari* before the Court of Appeals, the PHC charged respondents with grave abuse of discretion when they imposed and assessed taxes on its properties despite the PHC's claimed exemption pursuant to PD 673, LOI 1455, Article III, Section 28(3) of the 1987 Constitution, Section 234(b) of RA 7160, and the *MIAA* and *MCIAA* cases. Should their argument merit the grant of affirmative relief, *certiorari* may properly issue to nullify respondents' acts.

The PHC is a government instrumentality with corporate powers exempt from local taxes

Local government units are empowered to create their own sources of revenues and to levy taxes, fees, and charges subject to guidelines and limitations as Congress may provide.[60] On this score, Section 232 of RA 7160 recognizes the power of the local government units to tax real property not otherwise exempt, *viz*:

Section 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.

One of the limitations to this power is embodied in Section 133(o), *viz.*:

SEC. 133. *Common Limitations on the Taxing Powers of Local Government Units*. — Unless otherwise provided herein, **the exercise of the taxing powers of** provinces, **cities,** municipalities, and barangays s**hall not extend to the levy of the following:**

x x x x x x x x x

[60] Article X, Section 5 of the 1987 Constitution.

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(o) **Taxes, fees or charges of any kind on the National Government, its agencies and instrumentalities** and local government units. (emphases and underscoring supplied)

x x x x x x x x x

MIAA elucidated on the rationale behind the exemption from local taxes of the national government and its agencies and instrumentalities, thus:

Section 133(o) recognizes the basic principle that local governments cannot tax the national government, which historically merely delegated to local governments the power to tax. While the 1987 Constitution now includes taxation as one of the powers of local governments, local governments may only exercise such power "subject to such guidelines and limitations as the Congress may provide."

When local governments invoke the power to tax on national government instrumentalities, such power is construed strictly against local governments. The rule is that a tax is never presumed and there must be clear language in the law imposing the tax. Any doubt whether a person, article or activity is taxable is resolved against taxation. This rule applies with greater force when local governments seek to tax national government instrumentalities.

Another rule is that a tax exemption is strictly construed against the taxpayer claiming the exemption. However, when Congress grants an exemption to a national government instrumentality from local taxation, such exemption is construed liberally in favor of the national government instrumentality. As this Court declared in *Maceda v. Macaraig, Jr.*[61]:

> The reason for the rule does not apply in the case of exemptions running to the benefit of the government itself or its agencies. In such case the practical effect of an exemption is merely to reduce the amount of money that has to be handled by government in the course of its operations. For these reasons, provisions granting exemptions to government agencies may be construed liberally, in favor of non-tax-liability of such agencies.

There is, moreover, no point in national and local governments taxing each other, unless a sound and compelling policy requires such transfer of public funds from one government pocket to another.

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[61] G.R. No. 88291, June 8, 1993, 223 SCRA 217.

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There is also no reason for local governments to tax national government instrumentalities for rendering essential public services to inhabitants of local governments. The only exception is when the legislature clearly intended to tax government instrumentalities for the delivery of essential public services for sound and compelling policy considerations. There must be express language in the law empowering local governments to tax national government instrumentalities. Any doubt whether such power exists is resolved against local governments.

Thus, Section 133 of the Local Government Code states that "unless otherwise provided" in the Code, local governments cannot tax national government instrumentalities. xxx

Section 234(a) of RA 7160 further exempts real property owned by the Republic from real property taxes, *viz*:

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; (emphasis added)

x x x x x x x x x

Indeed, real properties owned by the Republic, whether titled in the name of the Republic itself or in the name of agencies or instrumentalities of the national government, are exempt from real property tax.[62] Central to the resolution of this case, therefore, is determining whether the PHC is a government instrumentality covered by this tax exemption.

Section 2(10) of Executive Order (EO) 292, the Administrative Code of 1987, defines an "Instrumentality" as "any agency of the National Government, not integrated within the department framework, vested with special functions or jurisdiction by law, **endowed with some if not all corporate powers**, administering special funds, and enjoying operational autonomy, usually through a charter." From this definition, the category of an

[62] *Supra* note 12.

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instrumentality with corporate powers was born. The concept came to fore by virtue of this Court's pronouncement in ***MIAA***, *viz*:

> MIAA is a government instrumentality vested with corporate powers to perform efficiently its governmental functions. MIAA is like any other government instrumentality, the only difference is that MIAA is vested with corporate powers. x x x
>
> x x x x x x x x x
>
> **When the law vests in a government instrumentality corporate powers, the instrumentality does not become a corporation. Unless the government instrumentality is organized as a stock or non-stock corporation, it remains a government instrumentality exercising not only governmental but also corporate powers x x x Likewise, when the law makes a government instrumentality operationally autonomous, the instrumentality remains part of the National Government machinery although not integrated with the department framework** x x x
>
> Many government instrumentalities are vested with corporate powers but they do not become stock or non-stock corporations, which is a necessary condition before an agency or instrumentality is deemed a government-owned or controlled corporation x x x These government instrumentalities are sometimes loosely called government corporate entities. However, they are not government-owned or controlled corporations in the strict sense as understood under the Administrative Code, which is the governing law defining the legal relationship and status of government entities. (emphasis added)

On December 29, 2006, EO 596[63] was enacted, acknowledging this new category described in *MIAA* and placing it under the jurisdiction of the OGCC. Section 1 of EO 596 provides:

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[63] DEFINING AND INCLUDING "GOVERNMENT INSTRUMENTALITY VESTED WITH CORPORATE POWERS" OR "GOVERNMENT CORPORATE ENTITIES" UNDER THE JURISDICTION OF THE OFFICE OF THE GOVERNMENT CORPORATE COUNSEL (OGCC) AS PRINCIPAL LAW OFFICE OF GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS (GOCCs) AND FOR OTHER PURPOSES.

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Section 1. The Office of the Government Corporate Counsel (OGCC) shall be the principal law office of all GOCCs, except as may otherwise be provided by their respective charter or authorized by the President, their subsidiaries, corporate offsprings, and government acquired asset corporations. The OGCC shall likewise be the principal law office of "government instrumentality vested with corporate powers" or "government corporate entity," as defined by the Supreme Court in the case of "*MIAA vs. Court of Appeals, City of Parañaque, et al*.," *supra*, notable examples of which are: Manila International Airport Authority (MIAA), Mactan International Airport Authority, the Philippine Ports Authority (PPA), Philippine Deposit Insurance Corporation (PDIC), *Metropolitan Water and Sewerage Services (MWSS)*, Philippine Rice Research Institute (PRRI), Laguna Lake Development Authority (LLDA), Fisheries Development Authority (FDA), Bases Conversion Development Authority (BCDA), Cebu Port Authority (CPA), Cagayan de Oro Port Authority, and San Fernando Port Authority.

Subsequently, in 2011, RA 10149, the GOCC Governance Act of 2011, further formalized the creation of this new category:

Section 3. Definition of Terms. —

x x x x x x x x x

(n) *Government Instrumentalities with Corporate Powers (GICP)/ Government Corporate Entities (GCE)* refer to instrumentalities or agencies of the government, which are neither corporations nor agencies integrated within the departmental framework, but vested by law with special functions or jurisdiction, endowed with some if not all corporate powers, administering special funds, and enjoying operational autonomy usually through a charter including, but not limited to, the following: the Manila International Airport Authority (MIAA), the Philippine Ports Authority (PPA), the Philippine Deposit Insurance Corporation (PDIC), the *Metropolitan Waterworks and Sewerage System (MWSS)*, the Laguna Lake Development Authority (LLDA), the Philippine Fisheries Development Authority (PFDA), the Bases Conversion and Development Authority (BCDA), the Cebu Port Authority (CPA), the Cagayan de Oro Port Authority, the San Fernando Port Authority, the Local Water Utilities Administration (LWUA) and the Asian Productivity Organization (APO).

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Hence, in addition to government-owned and controlled corporations (GOCCs) and instrumentalities, a third category of government agencies under the jurisdiction of the OGCC is now recognized — *government instrumentalities vested with corporate powers or government corporate entities*. These entities remain government instrumentalities because they are not integrated within the department framework and are vested with special functions to carry out a declared policy of the national government.[64]

An agency will be classified as a government instrumentality vested with corporate powers when the following elements concur: a) it performs governmental functions, and b) it enjoys operational autonomy. The PHC passes these twin criteria.

Although not integrated in the department framework, the PHC is under supervision of the DOH and carries out government policies in pursuit of its objectives in Section 4 of PD 673, *viz*:

Section 4. *Purposes and objectives*. The purposes and objectives of the Philippine Heart Center are:

1. To construct, establish, operate and maintain a heart center for the public welfare, including a specialized heart hospital;

2. To promote, encourage and engage in scientific research on the prevention of cardio-vascular diseases and the care and/or treatment of heart patients and related activities, including sponsorship and conduct of relevant congresses, conventions, seminars, and conferences;

3. To stimulate and/or underwrite scientific researches on the biological, demographic, social, economic, eugenic, physiological aspects of cardio-vascular disorders and abnormalities and their control; and gather, compile, and publish the findings of such researches for public dissemination;

4. To facilitate and encourage the dissemination and exchange of ideas and information on the prevention, treatment and control of heart diseases, to arouse, enhance and develop public interest on heart consciousness or awareness, general health and physical fitness, especially on human cardio-vascular requirements and other relevant or related fields;

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[64] *City of Lapu-Lapu v. Phil. Economic Zone Authority*, 748 Phil. 473, 541 (2014).

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5. To encourage and/or undertake the training of physicians, nurses, medical technicians, health officers and social workers on the practical and scientific conduct and implementation of cardiac services, and related activities;

6. To assist universities, hospitals and research institutions in their studies of cardio-vascular anomalies, to encourage advanced training on matters of, or affecting the heart, and related fields and to support educational programs of value to general health;

7. To encourage the formation of other organization on the national, provincial, city, municipal or barangay level and to coordinate their various efforts and activities for the purpose of achieving a more effective programmatic approach on the common problems relative to the objectives herein enumerated; and

8. To extend medical and cardiological services to the general public, to help prevent, relieve or alleviate the innumerable cardio-vascular afflictions and maladies of the people specially the poor and less fortunate in life, without regard to race, creed, color or political belief.

Certainly, the PHC's enumerated functions are less commercial than governmental, and more for public use and public welfare than for profit-oriented services. As such, the PHC is authorized to "call upon any department, bureau, office, agency or instrumentality of the Government, including government-owned or controlled corporations, for such assistance as it may need in the pursuit of its purposes and objectives."[65]

Too, the PHC is vested with corporate powers under Section 5 of PD 673:

Section 5. *Powers.* For the attainment and/or furtherance of the above purposes and objectives, the Philippine Heart Center, as a body corporate, acting through its Board of Trustees, **shall have all the powers pertaining to a juridical person**, and is therefore authorized, among other things:

1. To acquire and hold in any property of whatever nature or description, and to dispose of such property under any mode of encumbrance or conveyance;

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[65] Section 7, Presidential Decree 673.

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2. To contract and be contracted with;

3. To mortgage, lease, sell, transfer, convey or otherwise dispose of its properties;

4. To solicit and receive donations, endowments and funds in the form of contributions, whether in cash or in kind, from both the public and private sectors;

5. To open such accounts in banks and other financial institutions, and to disburse such funds or invest the same as the Board may direct to accomplish or advance the purposes or interest of the Philippine Heart Center;

6. To invite foreign heart specialists and similar experts in the various medical fields to train the personnel or trainees or residents of the Philippine Heart Center;

7. To send the personnel of the Philippine Heart Center to research institutes, medical institutes or universities for advance training or observation and to attend international or regional conventions, conferences, congresses, seminars as the Board may deem necessary to accomplish the purposes and objectives of the Philippine Heart Center;

8. To adopt a set of by-laws, rules and regulations not inconsistent with law and the provisions hereof to govern the administration and operation of the affairs of the Philippine Heart Center; and

9. To do all such other acts and things as are or may be necessary or incidental for the accomplishment of the purposes and objectives of the Philippine Heart Center. (emphases added)

This enumeration is not exhaustive. The provision itself vests the PHC with all the powers of a juridical entity under Section 35 of RA 11232,[66] the Revised Corporation Code of the

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[66] **Section 35.** *Corporate Powers and Capacity.* - Every corporation incorporated under this Code has the power and capacity:

(a) To sue and be sued in its corporate name;

(b) To have perpetual existence unless the certificate of incorporation provides otherwise;

(c) To adopt and use a corporate seal;

(d) To amend its articles of incorporation in accordance with the provisions of this Code;

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Philippines. The general clauses in paragraphs 8 and 9 of Section 5, PD 673 likewise authorize the PHC to adopt rules and perform acts necessary to accomplish its purposes.

The PHC therefore bears the essential characteristics of a government instrumentality vested with corporate powers, exempt from real property taxes. Indeed, the PHC's corporate status does not divest itself of its character as a government instrumentality. These are not polar opposites. For despite its corporate status, it is really the resources and reputation of the Republic that are at stake in the capitalization and operations of the government entity.[67]

The properties of the PHC are properties of public dominion devoted to public use and welfare and, therefore, exempt from real property taxes and levy, without prejudice to the liability of taxable persons to whom

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(e) To adopt bylaws, not contrary to law, morals or public policy, and to amend or repeal the same in accordance with this Code;

(f) In case of stock corporations, to issue or sell stocks to subscribers and to sell treasury stocks in accordance with the provisions of this Code; and to admit members to the corporation if it be a nonstock corporation;

(g) To purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage, and otherwise deal with such real and personal property, including securities and bonds of other corporations, as the transaction of the lawful business of the corporation may reasonably and necessarily require, subject to the limitations prescribed by law and the constitution;

(h) To enter into a partnership, joint venture, merger, consolidation, or any other commercial agreement with natural and juridical persons;

(i) To make reasonable donations, including those for the public welfare or for hospital, charitable, cultural, scientific, civic, or similar purposes: *Provided*, that no foreign corporation shall give donations in aid of any political party or candidate or for purposes of partisan political activity;

(j) To establish pension, retirement, and other plans for the benefit of its directors, trustees, officers, and employees; and

(k) To exercise such other powers as may be essential or necessary to carry out its purpose or purposes as stated in the articles of incorporation.

[67] See *LRTA v. Quezon City*, G.R. No. 221626, October 9, 2019.

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the beneficial use of any of these properties has been granted

Under Article 420 of the Civil Code, the following things are property of public dominion:

(1) Those intended for public use, such as roads, canals, rivers, torrents, ports and bridges constructed by the State, banks, shores, roadsteads, and others of similar character; and

(2) Those which belong to the State, without being for public use, and are intended for some public service or for the development of the national wealth.

Given the mandate and purpose of the PHC, its properties are thus properties of public dominion intended for public use or service. As such, they are exempt from real property tax under Section 234(a) of the Local Government Code.[68] ***City of Lapu-Lapu v. Phil. Economic Zone Authority***[69] is *apropos*:

> Properties of public dominion are outside the commerce of man. These properties are exempt from "levy, encumbrance or disposition through public or private sale." As this court explained in Manila International Airport Authority:
>
> > Properties of public dominion, being for public use, are not subject to levy, encumbrance or disposition through public or private sale. Any encumbrance, levy on execution or auction sale of any property of public dominion is void for being contrary to public policy. Essential public services will stop if properties of public dominion are subject to encumbrances, foreclosures and auction sale.

MIAA identifies the locus of ownership of properties of public dominion for public use — the Republic of the Philippines. If any of these properties is titled in the name of specific government entities, the latter only hold the legal title for the ultimate benefit of the Republic and the sovereignty.

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[68] *Id.*

[69] *Supra* note 64.

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Here, the fact that the PHC may have entered into transactions with regard to its properties, short of alienating them, does not detract from their characterization as properties of public dominion for public use or public service. For what is important is the role, nexus, and relevance that these properties play in the public use or public service purposes of the PHC.[70]

Indeed, the core of the PHC's mission is patient care. The government established the PHC specifically to secure the well-being of the people by providing them specialized treatment for heart and allied diseases, *viz.*:

> xxx [I]t is the concern of Government to assist and provide material and financial support in the establishment and maintenance of a Philippine Heart Center for Asia, primarily to benefit the people of the Philippines, and further enhance the noble undertaking of research in heart and allied diseases, particularly those affecting the people of Asia; of training of medical and technical personnel therefor; and of rendering specialized medical services for the prevention and treatment of heart and allied diseases.[71]

In the pursuit of its lofty mandate, the PHC reported that for 2018,[72] it had served about 60,000 cardiology patients, performed around 94,000 radiology procedures, organized surgical missions in eight (8) regional health centers, provided free heart surgery for 82 mission beneficiaries, among others. Notably, these figures have increased from their 2017 values.

In sum, the PHC is a vital cog in the delivery of basic services to the people. These services, though, do not come cheap. Despite reporting revenues of ₱3,038,549,394.00 in 2018, the PHC still operated at a loss of ₱504,503,852.00. Thus, the government itself annual1y allocates funding to the PHC.[73] Even with so

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[70] *Supra* note 67.

[71] Presidential Decree 673.

[72] https://www.phc.gov.ph/Images/accomplishments/annual_reports/2018/PHC%20Annual%20Report%202018.pdf#toolbar=0&view=fitV, last accessed on February 18, 2020.

[73] Section 8, PD 673:

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much public expenses to take care of, the government has taken measures to keep PHC accessible to our communities. Were it not for the government subsidy of ₱888,873,333.00 in 2018, the PHC would not have been able to defray its costs.

The hospital fees which the PHC charges are simply too meager to cover operating expenses. To divest the PHC of other sources of income may, therefore, impede, if not paralyze its operations altogether. And to allow the Quezon City Government to confiscate the PHC's properties would be nothing short of ironic, if not self-destructive, as it would kill the very patient the government so desperately seeks to revive.

Respondents, nevertheless, contend that the eleven (11) properties of the PHC in Quezon City are subject to real property tax since the PHC granted the beneficial use of these properties to commercial establishments such as Globe Telecom, Inc., Jollibee Foods Corporation, Course Development, Inc. and Proheart Food Corp.

On this score, respondents' argument is meritorious.

To reiterate, Section 234(a) of RA 7160 exempts real property owned by the Republic from real property taxes **except when the beneficial use thereof has been granted, for consideration or otherwise, to a taxable person.** Thus, the Court has invariably held that a government instrumentality, though vested with corporate powers, are exempt from real property tax but the exemption shall not extend to taxable private entities to whom the beneficial use of the government instrumentality's properties has been vested.

In ***Lung Center of the Philippines v. Quezon City***,[74] the Court held that the portions of the land leased to private entities

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Section 8. *Government contribution.* The amount of ₱10,000,000 is hereby appropriated as contributions of the National Government for the initial operations and maintenance of the Philippine Heart Center. Thereafter, the necessary amount to support the continued operation and maintenance of the Philippine Heart Center shall be appropriated and released, subject to the approval of the President of the Philippines.

[74] 477 Phil. 141, 160 (2004).

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as well as those parts of the hospital leased to private individuals are not exempt from real property taxes. On the other hand, the portions of the land occupied by the hospital and portions of the hospital used for its patients, whether paying or non-paying, are exempt.

In ***Government Service Insurance System v. City Treasurer and City Assessor of the City of Manila***,[75] the Court nullified the real property tax assessments issued by the City of Manila to the Government Service Insurance System, **except the assessment pertaining to the leased Katigbak property served on the Manila Hotel Corporation as lessee which has actual and beneficial use thereof.**

In ***PFDA v. Central Board of Assessment Appeals***,[76] the Court declared void all the real property tax assessments issued by the City of Lucena on the Lucena Fishing Port Complex **except for the portions that the Philippine Fisheries Development Authority has leased to private parties.**

In ***Metropolitan Waterworks and Sewerage System (MWSS) v. Local Government of Quezon***[77] the Court declared the real properties of the MWSS exempt from the real property taxes imposed by the Quezon City Government. It also nullified all the real estate tax assessments, including the final notices of real estate tax delinquencies, issued on the real properties of the Metropolitan Waterworks and Sewerage System in Quezon City **except for the portions that were alleged and proven to have been leased to private parties.**

Respondents, therefore, correctly posit that the PHC's properties which are leased to private individuals are no longer covered by the tax exemption. This, however, does not automatically validate their acts of assessing, levying, and selling the eleven (11) properties of the PHC.

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[75] *Supra* note 38.

[76] *Supra* note 37.

[77] G.R. No. 194388, November 7, 2018.

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Jurisprudence requires that respondents not only allege but also **prove** that the properties of the PHC have indeed been leased to private individuals; and the assessments, validly served **on the lessees** which have actual and beneficial use thereof. Here, respondents' bare allegation that the PHC had been leasing its properties to private individuals, without more, is not sufficient to justify the affirmance of the Court of Appeals' rulings. As it was, respondents failed to specify which of the eleven (11) properties or portions thereof were being leased out, to whom they were being leased, and the lease periods for which the private individuals are to be taxed. Consequently, respondents also failed to show that the taxable lessees were validly served notices of assessments covering the properties purportedly leased out by the PHC.

As for respondents' levy and subsequent sale of the PHC's properties, these acts have no basis in law. Section 256 of RA 7160 provides:

> **Section 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.** (emphasis added)

The provision must be read in connection with Section 133(o) of RA 7160 exempting the Republic from local taxes, and Section 234 of the same law allowing the imposition of tax on real property owned by the Republic when the beneficial use thereof has been granted to a "taxable person."

Notably, it is the "taxable person" with beneficial use who shall be responsible for payment of real property taxes due on government properties. Any remedy for the collection of taxes should then be directed against the "taxable person," the same being an action *in personam*.[78]

In another vein, the Republic and its instrumentalities including the PHC retain their exempt status despite leasing

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[78] *Salva v. Magpile*, G.R. No. 220440, November 8, 2017.

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out their properties to private individuals. The fact that PHC was short of alienating its properties to private parties in relation to the establishment, operation, maintenance and viability of a fully functional specialized hospital, does not divest them of their exemption from levy; the properties only lost the exemption from being taxed, but they did not lose their exemption from the means to collect such taxes.

Otherwise stated, local government units are precluded from availing of the remedy of levy against properties owned by government instrumentalities, whether or not vested with corporate powers, such as the PHC. Indeed, it would be the height of absurdity to levy the PHC's properties to answer for taxes the PHC does not owe. This leaves the Quezon City Government with only one recourse — judicial action for collection of real property taxes against private individuals with beneficial use of the PHC's properties.

A final word. Local government units must exercise restraint in levying on government properties. The "power to destroy" ought not be used against the very entity that wields it.[79] Despite its corporate status, the PHC remains an instrumentality of the government from which the power to tax of local units originates. Thus, it, too, must be spared from a local unit's power of confiscation.

As in *MIAA*, we see no compelling reason or sound policy for allowing the Quezon City Government to tax the PHC, a national government instrumentality which renders essential public health care services. More so, given that the PHC's services are more readily accessible to residents of Quezon City itself than of any other local government unit. Besides, there is simply no point in forcing the transfer of public funds from one government pocket to another.

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[79] *National Power Corporation v. City of Cabanatuan*, 449 Phil. 233, 246 (2003), citing *Basco v. Philippine Amusement and Gaming Corporation*, G.R. No. 91649, May 14, 1991, 197 SCRA 52.

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ACCORDINGLY, the petition is **GRANTED**. The Court of Appeals' Decision dated March 15, 2016 and Resolution dated June 23, 2016 in CA- G.R. SP No. 121019 are **REVERSED and SET ASIDE**.

The Court further **DECLARES**:

1. The Philippine Heart Center and its properties utilized in relation to the establishment, operation, and maintenance a specialty hospital in the country are **EXEMPT** from the real property taxes of the Quezon City Government;

2. All the real property tax assessments, as well as the final notices of real property tax delinquencies, and the warrant of levy issued by the Quezon City government on the Philippine Heart Center and its properties, are **VOID**; and

3. The July 7, 2011 sale at public auction of the properties of the Philippine Heart Center, as well as the purchase of these properties by the Quezon City Government, are **VOID**.

SO ORDERED.

Peralta, C.J. (Chairperson), Caguioa, Reyes, J. Jr., and *Lopez, JJ.,* concur.

SECOND DIVISION

[G.R. No. 225729. March 11, 2020]

PEOPLE OF THE PHILIPPINES, *plaintiff-appellee, vs.* **VALENTINO CATIG *y* GENTERONI,** *accused-appellant.*