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BLGF MEMORANDUM CIRCULAR NO. 101-2013
NOVEMBER 13, 2013

TO : All Regional Directors for Local Government Finance; Provincial, City and Municipal Assessors and Treasurers; and Others Concerned.

SUBJECT : Real Property Tax Exemption of the PHILIPPINE PORTS AUTHORITY (PPA) pursuant to the EN BANC DECISION OF THE SUPREME COURT (SC) in the case of "Manila International Airport Authority (MIAA) vs. City of Paranaque, et. al.," (G.R. No. 155650) promulgated on July 20, 2006.

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For the information and guidance of all concerned and in view of similar reports received by this Bureau that some Local Government Units (LGUs) have been taxing the real properties administered by the PPA despite the exemption it enjoyed being a government instrumentality, quoted below are the pertinent portions of this Bureau's ruling embodied under a letter dated December 2, 2011, on the basis of the said EN BANC Decision of the Supreme Court, pertinent portions of which provide, to wit:

"x x x.

"The EN BANC Decision of the Supreme Court in the case of the 'Manila International Airport Authority (MIAA) vs. City of Paranaque, et. al., G. R. No. 155650 promulgated on July 20, 2006, clarified that: '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 like, Mactan International Airport Authority, the PHILIPPINE PORTS AUTHORITY (PPA), the University of the Philippines and Bangko Sentral ng Pilipinas.'

"The abovementioned government instrumentalities, under the said Decision 'exercise corporate powers but they are not organized as stock or non-stock corporations as required by Section 2 (13) of

the Introductory Provisions of the Administrative Code. 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.'

"Obviously, the Decision of the Supreme Court in the case of 'MIAA vs. City of Paranaque' categorically specified that PPA is not a government-owned or controlled corporation but an instrumentality of the National Government thus, the real properties thereof are exempt from the payment of the real property tax. However, it is emphasized that when the beneficial use of these properties has been granted, for consideration or otherwise, to a taxable entities, such property becomes taxable.

"Furthermore, the Central Board of Assessment Appeals (CBAA) Resolution in the case of PPA vs. LBAA of General Santos City, et.al., (CBAA Case No. M-21) dated December 10, 2007 reiterated the SC Decision in the abovementioned case, which held thus:

'x x x.

'In the same manner, PPA is not a government – owned or controlled corporation, but an instrumentality of the National Government, as categorically pronounced by the Supreme Court in the MIAA case' . .

...

'x x x

'WHEREFORE, premises considered, the instant appeal is PARTLY GRANTED. Our decision dated July 16, 2007 and the Resolution of the LBAA General Santos City dated July 9, 2005 is hereby MODIFIED and PARTLY SET ASIDE. We, therefore, hold the real property of petitioner-appellant Philippine Ports Authority (PPA) located at Makar Wharf, General Santos City EXEMPT from the real estate tax except those leased to a 'taxable person.' Accordingly, the city assessor is DIRECTED to issue new sets of tax declarations exempting these real properties from real estate tax, imposing real property tax to those leased to taxable persons.'

"In the light of all the foregoing, and in view of the above pronouncement of the Supreme Court in the case of 'MIAA vs. City of Paranaque, et. al.,' this Bureau believes that PPA being an instrumentality of the National Government is not subject to the payment of real property tax. BLGF Memorandum Circular No. 17-2003 dated October 8, 2003, declaring PPA liable to realty tax is considered moot and academic."

Accordingly, any other issuances of this Bureau inconsistent with this Circular is hereby reversed and/or modified.

The Provincial Assessors and Treasurers are hereby instructed to disseminate the contents of this Circular, including the attachments, to the Municipal Assessors and Treasurers within their respective jurisdictions.


SALVADOR M. DEL CASTILLO
OIC-Executive Director