

Title: Tiu vs. Court of Appeals

Facts:

On March 13, 1992, Congress, with the signing of the President, enacted Republic Act No. 7227 (RA 7227), creating the Subic Special Economic Zone (SSEZ) and granting it special privileges. This included Section 12, which delineated the SSEZ's metes and bounds and the tax-and-duty-free incentive structure. The Act also authorized the President to issue a proclamation defining the metes and bounds of the SSEZ. On June 10, 1993, President Ramos issued Executive Order No. 97 (EO 97), clarifying the tax and duty incentives application within SSEZ. Subsequently, on June 19, 1993, EO 97-A was issued, which limited the completely tax and duty-free area to the "secured area" of the former Subic Naval Base, effectively excluding the residents and business enterprises outside this fenced area.

Petitioners Conrado L. Tiu, Juan T. Montelibano Jr., and Isagani M. Jungco, residents and businessmen outside the "secured area," filed a case challenging the constitutionality of EO 97-A for violating the equal protection clause, as it discriminated against residents and businesses outside the "secured area" by denying them the same privileges. The case was referred to the Court of Appeals, which upheld the constitutionality of EO 97-A, indicating that it did not substantially differ from RA 7227. A motion for reconsideration was denied, prompting the petitioners to elevate the case to the Supreme Court under Rule 45 of the Rules of Court.

Issues:

The principal issue is whether EO 97-A violates the equal protection clause by confining the application of tax and duty incentives within the secured area of the SSEZ and excluding those outside it.

Court's Decision:

The Supreme Court upheld the constitutionality of EO 97-A and affirmed the Court of Appeals' decision. The Court determined that EO 97-A does not violate the equal protection clause of the Constitution as it is based on valid and reasonable distinctions between the circumstances within and outside the fenced-in former Subic Naval Base. The justifications for the distinctions include the national impact of investments from entities within the SSEZ, the law's intent to transform military bases into productive economic areas, the ease of management and monitoring within the secured area, and discouragement of fraudulent importations. The Court further found that EO 97-A's classification serves the purpose of RA 7227, does not apply to pre-existing conditions, and treats all individuals and enterprises

within the secured area equally.

Doctrine:

A classification based on valid and reasonable standards that serves a legitimate government objective and is applied non-discriminatorily to all members of the class does not violate the equal protection clause of the Constitution.

Class Notes:

- Equal Protection Clause: Requires that all persons under like circumstances are treated alike but does not prohibit legislation that applies to certain identified classes if there are reasonable grounds for distinction.
- Classification for Equal Protection: Should be based on substantial distinctions, germane to the law's purpose, not limited to existing conditions, and should apply to all in the class.
- Republic Act No. 7227: Established the SSEZ providing tax and duty incentives to attract investment, turn military bases into productive use, and spur economic growth.
- Executive Order No. 97-A: Limited tax and duty-free privileges to the "secured area" of the SSEZ, defining the area where said incentives were operative.

Historical Background:

RA 7227 was enacted to facilitate the conversion of former U.S. military bases in the Philippines into productive civilian economic zones. The issuance of EO 97 by President Ramos and the subsequent EO 97-A was a move to clarify and implement the provisions of the law, particularly those relating to tax and duty incentives. The intent was to promote economic development, generate employment, and attract both local and foreign investment within the specific confines of what were once strategic military installations. The petition arose from a perceived disparity in the privileges afforded to enterprises and residents within the particular delineated zones, leading to a discussion on the equal protection implications. The Supreme Court's decision in this case reaffirmed the legislative intent and the constitutional limits surrounding equal protection in the application of economic incentives within specially designated zones.