

Title: Board of Assessment Appeals, et al. vs. Manila Electric Company

Facts:

In March 1903, Charles M. Swift was granted a franchise by the Municipal Board of Manila to construct and operate an electric street railway and electric light, heat, and power system, as authorized by Act No. 484 enacted by the Philippine Commission on October 20, 1902. The terms and conditions of the franchise were set out in Ordinance No. 44. The Manila Electric Company (Meralco) later became the transferee and owner of the franchise.

Meralco's electric power is generated by its hydro-electric plant in Laguna and transmitted to Manila via electric transmission wires supported by steel towers constructed by Meralco. Within Quezon City, Meralco constructed 40 of these steel towers on its own land.

On November 15, 1955, the City Assessor of Quezon City declared the steel towers as real property for tax purposes under Tax Declaration Nos. 31992 and 15549. Meralco's appeal to cancel these declarations was denied, and the company was ordered by the Board of Assessment Appeals to pay P11,651.86 as real property tax for the years 1952 to 1956. Meralco paid under protest and filed a petition for review with the Court of Tax Appeals (CTA).

The CTA rendered a decision on December 29, 1958, ordering the cancellation of the tax declarations and the City Treasurer of Quezon City to refund Meralco the amount paid. Following a denied motion for reconsideration, the Board of Assessment Appeals filed a petition for review with the Supreme Court.

Issues:

1. Whether the steel towers are considered as "poles" that are exempt from taxes under Meralco's franchise.
2. Whether the steel towers qualify as real property subject to real property tax.
3. Whether the City Treasurer of Quezon City can be ordered to refund the tax amount despite Quezon City not being a party to the case.

Court's Decision:

The Supreme Court affirmed the CTA's decision, holding that:

1. The steel towers are considered "poles" under Meralco's franchise and are therefore exempt from taxes. The term "poles" should not be narrowly interpreted and includes structures intended to support electric transmission wires.
2. The steel towers did not qualify as real property since they are not constructions adhered

to the soil and can be dismantled and moved. They cannot be included in any category of immovable property as indicated under Article 415 of the Civil Code.

3. The issue regarding the responsibility of the City Treasurer to refund was not properly raised in the court below and therefore should not be considered on appeal. Furthermore, the City Treasurer, having acted officially, is presumed to know the appropriate action to take following the decision.

Doctrine:

The case established that for the purpose of taxation under a franchise, the term “poles” should be interpreted broadly enough to include structures intended for the support and transmission of electric wires without regard to their construction or location. Furthermore, it reiterated that immovable property, for taxation purposes, must be permanently adhered to the soil, or cannot be removed without causing damage to the land or the structure itself.

Class Notes:

Key Elements:

- Definition of “poles” under a franchise for tax exemption purposes is broad and not limited to wooden or cylindrical structures.
- Real property tax applicability is based on permanence and adherence to the soil.
- To contest an issue regarding party responsibility (e.g., for a refund), it must be raised timely and appropriately in the lower courts.
- Civil Code, Article 415 definitions serve as a basis for determining the classification of property for taxation.

Historical Background:

The historical context of this case revolves around the early development of electric power infrastructure in the Philippines and the legal implications of technological advancements on property tax assessments. Meralco’s taking over of a franchise at the dawn of the 20th century and its subsequent expansion set the stage for this legal interpretation, reflecting the changing nature of utilities and their physical properties as society transitioned from wooden poles to steel towers for the transmission of electric power. The decision marks a modern approach in Philippine tax law, recognizing the need for legal definitions to evolve in parallel with technological progress.