

Title: Mindanao Bus Company v. The City Assessor & Treasurer and The Board of Tax Appeals of Cagayan de Oro City

Facts:

Mindanao Bus Company (petitioner) was assessed realty taxes by the Respondent City Assessor of Cagayan de Oro City on its various maintenance and repair equipment. Asserting that these machineries were not realty, petitioner appealed the assessment to the respondent Board of Tax Appeals of the City. When the Board upheld the City Assessor's assessment, petitioner sought review from the Court of Tax Appeals (CTA), which also sustained the assessment. Petitioner then filed a petition for review with the Philippine Supreme Court.

At issue was the classification of certain equipment used in petitioner's transportation business, specifically whether the equipment were immovable and thus subject to realty tax. The equipment included a Hobart Electric Welder Machine, Storm Boring Machine, Lathe Machine with Motor, Black and Decker Grinder, PEMCO Hydraulic Press, Battery Charger, and a D-Engine Waukesha-M-Fuel, all sitting on wooden or cement platforms. The petitioner operated a garage, repair shop, blacksmith, and carpentry shops for its transportation business.

The following are the procedural steps taken:

1. Respondent City Assessor assessed the machineries as real properties.
2. Petitioner appealed to the City Board of Tax Appeals.
3. City Board of Tax Appeals upheld the respondent City Assessor's assessment.
4. Petitioner filed a petition for review with the Court of Tax Appeals.
5. Court of Tax Appeals sustained the assessment.
6. Petitioner filed a petition for review with the Philippine Supreme Court, which issued the current decision.

Issues:

1. Whether the Court of Tax Appeals erred in upholding the validity of the assessments.
2. Whether the Court of Tax Appeals erred in interpreting paragraph 5 of Article 415 of the New Civil Code as to whether the particular movable equipment should be considered immovable and taxable realties because they were intended for use in an industry.
3. Whether the respondent City Assessor's power to assess real estate taxes on machineries is restricted by Section 31, paragraph (c) of Republic Act No. 521.
4. Whether the Court of Tax Appeals erred in denying petitioner's motion for

reconsideration.

#### Court's Decision:

The Supreme Court set aside the Court of Tax Appeals' decision and declared that the equipments in question were not subject to assessment as real estate for the purpose of the real estate tax. The Court held that the equipments were not "essential and principal elements" of petitioner's transportation business and that the business was not carried on in a building or on a specified piece of land as required by Article 415 (5) of the New Civil Code to be considered immovable. Thus, the equipment retained its movable nature.

#### Doctrine:

The Supreme Court reiterated the doctrine that to immobilize movable equipment as real property, the law requires two elements: (1) the equipment must be essential and principal to the industry or works, and (2) the industry or works must be carried on in a building or on a specified piece of land.

#### Class Notes:

1. Article 415 of the Civil Code of the Philippines lists immovable property, including machinery intended by the owner for industry carried on in a building or on a piece of land which tends directly to meet the needs of said industry or works.
2. Essentiality and permanence are key factors in determining whether machinery becomes immobilized.
3. The Supreme Court distinguishes between essential machinery, which becomes part of the realty, versus incidental machinery, which does not.
4. Republic Act No. 521 Section 31(c) may limit the power of assessors in classifying property for tax purposes.
5. For property to be considered immovable for tax assessment purposes, it must meet the specific requirements of the law and cannot just be by the owner's intention alone.

#### Historical Background:

The case provides insights into the complexities of tax assessment in the Philippines and raises questions on the classification of personal property vis-à-vis real property for the purposes of taxation. This context is essential due to the evolving nature of businesses and how the use of machinery can affect tax liabilities. The decision underscores the importance of statutory interpretation and application within the ambit of the law, ensuring that public utilities like transporter services are not unjustly taxed on movable properties that do not translate into immovable assets simply by their use in the business.