

Title: Punsalan v. The Municipal Board of the City of Manila

Facts:

Silvestre M. Punsalan and others, including two lawyers, a medical practitioner, a public accountant, a dental surgeon, and a pharmacist, filed a suit in the Court of First Instance of Manila, representing themselves and other professionals in Manila who might wish to join. They sought the annulment of Ordinance No. 3398 passed by the City of Manila on July 25, 1950, which imposed a municipal occupation tax on various professionals in the city, and a related provision of the Manila Charter (amended by Republic Act No. 409) authorizing this tax. The ordinance also stipulated penalties for non-payment of the tax. The plaintiffs had already paid the national occupation tax under section 201 of the National Internal Revenue Code and contested the additional local tax, asserting that it constituted class legislation, was unjust and oppressive, and resulted in double taxation.

They paid the additional tax under protest and pursued legal action for the ordinance's annulment and a refund of the taxes paid. The Court of First Instance ruled in favor of the legislative authority to enact the ordinance but declared it illegal and void based on the penalties imposed. Both parties appealed to the Supreme Court, raising a singular issue regarding the appropriateness of the penalties in question.

Issues:

1. Whether the penalty provisions in Ordinance No. 3398 were authorized by law.
2. Whether Ordinance No. 3398 and the authorizing provision in the Manila Charter constitute class legislation, are unjust and oppressive, and amount to double taxation.

Court's Decision:

The Supreme Court reversed the lower court's decision concerning the penalty, holding that Section 18 (last paragraph (kk)) of the Manila Charter explicitly empowered the Municipal Board to set penalties for ordinance violations. Therefore, the penalties imposed by Ordinance No. 3398 were legally authorized.

Regarding plaintiffs' appeal, the Court dismissed the claim of class legislation, stating it was within the Legislature's discretion to select which occupations to tax and that such selection need not be consistent across all cities or municipalities. The claim that the ordinance was unjust and oppressive for discriminating within a class was found to be without basis as the ordinance applied to anyone practicing the specified professions in Manila, whether or not they had offices in the city. Lastly, the Court rejected the double taxation argument, as it is

permissible for both the state and the city to impose license fees or taxes with respect to the same occupation or activity.

**Doctrine:**

The Court reiterated the principle that legislation may select particular occupations for taxation and need not apply uniformly to all cities or municipalities. Additionally, the imposition of license fees or taxes by both the state and its political subdivisions does not inherently constitute double taxation.

**Class Notes:**

- Legislative discretion: Legislatures have the authority to select which occupations to tax, which may lead to different tax obligations in different areas.
- Uniformity within a class is not required: Discrimination claims within a class of taxpayers must be based on distinctions actually made by the law or ordinance in question.
- Double taxation: The concept of double taxation does not prohibit the imposition of similar or identical taxes by different levels of government, such as the state and a municipality.

**Historical Background:**

This case reflects the complexities and tensions related to the fiscal autonomy of local government units and their relation to the national tax system in the Philippines. It also highlights the balance between the legislative discretion in shaping tax policy and the legal principles of uniformity and equity in taxation. The decision comes in the backdrop of a growing Manila in the post-World War II era, where the demand for public services and infrastructure expansion required the local government to explore additional sources of revenue.