

Title: **Pelizloy Realty Corporation vs. The Province of Benguet**

Facts:

Pelizloy Realty Corporation (Pelizloy) owns Palm Grove Resort in Benguet, offering recreational facilities. Following the approval of the Benguet Revenue Code of 2005 by the Benguet Provincial Board, Section 59, Article X of the code imposed a 10% amusement tax on gross receipts from admission to several recreational venues, including resorts, an act Pelizloy deemed ultra vires, or beyond the legal power of Benguet. Pelizloy's petition for declaratory relief against this tax imposition was initially denied by both the Department of Justice (due to inaction) and the Regional Trial Court (RTC) of La Trinidad, Benguet. Subsequently, the RTC dismissed Pelizloy's petition for lack of merit, asserting that amusement taxes, while being percentage taxes, are allowable exceptions under the Local Government Code (LGC) for local government units (LGUs) if imposed on places of amusement, which purportedly included Pelizloy's resort. Pelizloy brought the matter to the Supreme Court upon denial of their motion for reconsideration by the RTC.

Issues:

1. Whether or not Section 59, Article X of the Benguet Revenue Code imposes an illegal percentage tax as prohibited by Section 133(i) of the LGC.
2. Whether provinces have the authority under the LGC to impose amusement taxes on admission fees to recreational places like resorts.

Court's Decision:

The Supreme Court granted Pelizloy's petition, holding:

1. **On percentage taxes:** The Court affirmed that amusement taxes are indeed types of percentage taxes but noted that the LGC specifically enables provinces to impose these taxes on "places of amusement" under Section 140 of the LGC, thus constituting an exception to the general prohibition.
2. **On the authority to impose taxes on recreational places:** The Court determined that resorts and similar recreational places do not fall within the scope of "places of amusement" as allowed to be taxed under Section 140 of the LGC. Citing principles of legal interpretation and definitions within the LGC itself, the Court concluded that only venues primarily used for viewing performances fall under "places of amusement," thereby

exempting Pelizloy's resort and similar establishments from the amusement tax.

The Supreme Court thus declared the imposition of amusement taxes on recreational places by the Benguet Revenue Code as beyond the province's authority, invalidating that portion of the tax ordinance which affected Pelizloy.

****Doctrine:****

The case reaffirms that local government units (LGUs) possess the power to levy taxes, fees, and charges as explicitly delegated by law, subject to constitutional and statutory limitations. It elucidates the "doctrine of ultra vires" in the context of LGU taxation, emphasizing that any taxing power must be expressly conferred by the statute and fall within the legal limitations set forth, particularly in the Local Government Code. Moreover, it employed the principle of ejusdem generis in statutory interpretation to determine the scope of taxable "places of amusement."

****Class Notes:****

- Amusement taxes are considered percentage taxes but are permissible for LGUs to impose on specified venues under exceptions provided by law, such as Section 140 of the LGC.
- The doctrine of ultra vires applies to LGU's tax impositions, suggesting that any action taken must find direct support from the legislation.
- The principle of ejusdem generis helps interpret ambiguous or general terms by referencing the specific items listed alongside them, ensuring that similar or related venues/activities fall within the regulatory or taxing scope intended by law.
- The importance of adhering to statutory definitions and limitations when LGUs attempt to expand their taxing authority, reinforcing the principle that doubt or ambiguity in taxing statutes is resolved against the tax imposer.

****Historical Background:****

This case reflects the ongoing tension between the autonomy of local government units in the Philippines and the statutory boundaries of their taxing powers. It underscores the importance of precise statutory interpretation and the consistent application of legal doctrines to resolve disputes regarding the extent of local taxation authority. This decision is part of a broader legal context that seeks to balance local government autonomy with national legal frameworks, specifically the provisions of the 1991 Local Government Code.