

### Title:

**\*\*Philippine Petroleum Corporation vs. Municipality of Pililla, Rizal:\*\*** A Legal Battle on Local Taxation of Petroleum Products

### Facts:

Philippine Petroleum Corporation (PPC), operating a refinery in Malaya, Pililla, Rizal, faced contested taxes, fees, and charges as per Municipal Tax Ordinance No. 1, S-1974 (“The Pililla Tax Code of 1974”). PPC’s business involved manufacturing petroleum products, already subject to specific tax under the National Internal Revenue Code of 1939. Two Provincial Circulars (Nos. 26-73 and 26 A-73) issued by the Secretary of Finance directed city and municipal treasurers to refrain from collecting local taxes on businesses dealing in petroleum products due to these specific taxes. Despite this, the Municipality of Pililla enacted an ordinance imposing taxes and fees on such businesses.

Upon enforcing these provisions, Pililla filed a complaint against PPC in 1986 for the collection of business tax (1979-1986), storage permit fees (1975-1986), and mayor’s permit and sanitary inspection fees (1975-1984). After a trial and a denial of PPC’s motion for reconsideration, the matter escalated to the Supreme Court on grounds that the Regional Trial Court erred in its decision in light of the stated Provincial Circulars and the absence of a basis for the computation of tax liability, among others.

### Issues:

1. Whether PPC, subjected to specific national taxes, is liable for local business taxes and storage fees under Municipal Ordinance No. 1 despite the prohibitive nature of Provincial Circulars Nos. 26-73 and 26 A-73.
2. The validity and applicability of Provincial Circular No. 6-77 regarding the non-collection of storage fees for flammable materials, in relation to PPC’s obligation to pay such fees as mandated by the Municipality of Pililla.
3. The authority of the Mayor of Pililla to waive the payment of mayor’s permit and sanitary inspection fees and the legal basis of PPC’s tax liabilities computation.

### Court’s Decision:

The Supreme Court affirmed the trial court’s decision with modifications, emphasizing that:

1. The Provincial Circulars (26-73 and 26 A-73) were effectively repealed by Presidential Decree No. 426, thus not exempting PPC from local taxation under Pililla’s Tax Ordinance.
2. Provincial Circular No. 6-77 precluded the collection of the contested storage permit fee,

recognizing the fees could not be charged by the Municipality of Pililla as PPC owned the storage facilities.

3. The mayor's waiver of certain fees was deemed beyond executive powers, lacking legal basis to exempt PPC from such fees without legislative action.

4. The Court also addressed the applicability of the prescriptive period for tax collection, underlining that taxes due before 1976 had prescribed under Article 1143 of the Civil Code.

### ### Doctrine:

This case reiterates that administrative regulations must align with laws, and any inconsistency would favor the law. It distinguishes between taxes on business and taxes on products, affirming local governments' taxing powers within constitutional and legal boundaries. It also highlights the legislative prerogative in tax exemptions and waivers.

### ### Class Notes:

- Administrative regulations vs. laws: In case of discrepancy, the law prevails.
- Distinction between tax on business and tax on articles.
- Local government's power to tax: Subject to guidelines and limitations by Congress.
- Tax exemptions and waivers: Principally a legislative function, not executable by municipal executive decisions.
- Prescriptive period for tax collection: Local taxes not covered by specific statutes follow the Civil Code's default ten-year prescription period.

### ### Historical Background:

This case underscores the evolving governance dynamic between national policy and local autonomy in tax administration, especially concerning highly regulated commodities like petroleum products. It elaborates on the jurisdictional interplay amidst Philippines' transition towards reinforcing local government powers post-Marcos era, reflecting the shift in tax policy formulation and enforcement from the national to the local levels.