

### Title:

Sison vs. Ancheta: A Challenge on Taxation Uniformity and Equal Protection

### Facts:

This case emerged from the enactment and subsequent challenge of Section 1 of Batas Pambansa Blg. 135, which amended Section 21 of the National Internal Revenue Code of 1977. The amendment addressed the rates of tax on various sources of income, creating a distinction between taxable net income derived from business or profession compared to compensation income. Petitioner Antero M. Sison, Jr., a taxpayer, lodged a suit claiming the amendment led to undue discrimination against professionals by imposing higher tax rates on their income compared to salaried individuals. This, according to Sison, constituted a violation of the equal protection and due process clauses of the Constitution, as well as the rule requiring uniformity in taxation.

The procedural journey to the Supreme Court began with Sison's challenge through a filing for declaratory relief or prohibition, asserting the constitutional infirmity of the amendment. The respondents - Ruben B. Ancheta, Acting Commissioner of the Bureau of Internal Revenue, among others - admitted the factual setup but contested the alleged constitutional violations, advocating for the dismissal of the petition.

### Issues:

1. Does the differential tax rate imposed on income derived from business or profession versus compensation income violate the equal protection clause of the Constitution?
2. Is the challenged statutory provision consistent with the principles of uniformity and equity in taxation mandated by the Constitution?

### Court's Decision:

The Supreme Court dismissed the petition, providing a multi-faceted rationale:

- It underscored the inherent power and discretion of the state in matters of taxation, which is only subject to constitutional limitations such as due process and equal protection.
- The justices found no persuasive evidence or factual basis to support the claim of arbitrary discrimination against professionals.
- The differentiation in tax rates was deemed rational, resting on substantial distinctions between the sources of income. Compensation income typically does not involve significant overhead expenses justifying deductions, unlike professional or business income, which varies greatly in how it is generated.
- Thus, the Court concluded that Batas Pambansa Blg. 135 did not infringe upon the

constitutional mandates of equal protection, due process, or taxation uniformity and equity.

### ### Doctrine:

The decision reiterates the doctrine that the state possesses broad discretion in the selection of subjects for taxation and in designing the tax system. Discrimination or differentiation in taxation, if rational and based on substantial differences, does not contravene the equal protection clause. Moreover, the uniformity and equity in taxation do not necessitate perfect equality but require that taxes apply evenly to all members within a similar situation or classification.

### ### Class Notes:

#### Key Concepts:

- Taxation Power: Inherently vested in the state, subject to constitutional constraints (due process, equal protection, uniformity, and equity in taxation).
- Equal Protection: Requires that laws operate uniformly on all individuals under similar circumstances, barring unjustifiable distinctions.
- Tax Uniformity and Equity: Mandates taxation to be applied consistently within similar categories, allowing for rational classification.
- Distinction between Tax Rate and Tax Base: Legally permissible differentiation in setting the taxable amount and applicable rates.

#### Notable Statutes and Doctrines:

- Constitution, Article IV, Section 1: Due process and equal protection clauses.
- Constitution, Article VII, Section 7, par. (1): The rule of taxation shall be uniform and equitable.

#### Application:

- Rational Classification in Taxation: Demonstrated by the differentiation between compensation income (uniform overhead, no deductions) and professional or business income (variable costs, deductions justified).

### ### Historical Background:

The case of *Sison vs. Ancheta* arose against the backdrop of the increasing need for state revenues to fund public services and the government's expanding role in societal welfare. The challenge against *Batas Pambansa Blg. 135* underscored the tension between ensuring equitable taxation and the state's attempt to streamline revenue generation. This decision emphasized the judiciary's stance on the broad latitude allowed to legislative and executive

actions in taxation, conditioned by constitutional adherence.