

****Title:** John Hay Peoples Alternative Coalition, et al. vs. Victor Lim, et al., (G.R. No. 119775, July 24, 2003)******

****Facts:****

The case stemmed from the constitutionality of Presidential Proclamation No. 420, Series of 1994, creating and designating a portion of the former Camp John Hay as the John Hay Special Economic Zone (SEZ) pursuant to Republic Act No. 7227, otherwise known as the Bases Conversion and Development Act of 1992. The Act aimed to repurpose military bases into productive civilian use, specifically for economic and commercial purposes. The Bases Conversion and Development Authority (BCDA) entered into agreements with private corporations for the development of these areas, including Camp John Hay. Local government resolutions were passed in response, with some expressing reservations and conditions for the development. Eventually, the Sangguniang Panlungsod of Baguio City passed a resolution supporting the declaration of Camp John Hay as an SEZ, leading to Presidential Proclamation No. 420. Petitioners challenged the constitutionality of this proclamation, particularly its grant of tax exemptions and its effect on local autonomy.

****Issues:****

1. Whether Presidential Proclamation No. 420 grants tax exemptions beyond the powers of the President and without the required legislative concurrence.
2. Whether said Proclamation infringes on the local autonomy of the City of Baguio.
3. Whether petitioners have the legal standing to file the case.

****Court's Decision:****

1. The Supreme Court held that the grant of tax exemption and incentives to the John Hay SEZ as provided by Presidential Proclamation No. 420 was invalid. The Court underscored that the power to grant tax exemptions lies with the legislature and must be explicitly provided for in the law. R.A. No. 7227 did not extend the same tax and investment incentives granted to the Subic SEZ to other SEZs to be proclaimed later.
2. On the issue of the infringement on local autonomy, the Court found the argument without merit. The designation of BCDA as the governing body of the John Hay SEZ by Proclamation No. 420 was consistent with the authority and purpose accorded to BCDA under R.A. No. 7227.
3. The Court recognized the legal standing of the petitioners as inhabitants of Baguio, with substantial interests potentially affected by the proclamation.

****Doctrine:****

The power to grant tax exemptions resides with the legislature and any law or provision thereof granting tax exemptions must be explicit, categorical, and cannot be implied.

****Class Notes:****

- Key Elements: Legal standing, Tax exemptions, Local Autonomy, Special Economic Zones (SEZs).
- Relevant Provisions:
 - R.A. No. 7227, particularly Sections related to the creation of SEZs and the authority granted to BCDA.
 - Presidential Proclamation No. 420.
- Application: The Supreme Court's ruling emphasizes the exclusivity of legislative power in granting tax exemptions and underscores the constitutional boundaries within which the executive branch operates in designating economic zones and managing former military bases.

****Historical Background:****

The transformation of former US military bases into SEZs like the John Hay Special Economic Zone is rooted in the Philippine government's agenda to repurpose strategic but underutilized assets into engines for economic development. The 1992 enactment of R.A. No. 7227 marked a pivotal shift towards leveraging these assets to catalyze economic growth, attract investment, and generate employment opportunities. This case represents a significant judicial examination of the intersection between executive authority, legislative prerogatives, and local governance in the context of national development policy.