

### Title:

C. N. Hodges vs. The Municipal Board of the City of Iloilo

### Facts:

In June 1960, the Municipal Board of the City of Iloilo enacted Ordinance No. 33, under the auspices of the Local Autonomy Act (Republic Act No. 2264), imposing a 1/2 of 1% sales tax on the selling price of any motor vehicle. This ordinance required such tax payment as a precondition for the registration and transfer of ownership of vehicles in the city, effectively making the tax payment a necessary document at the Motor Vehicles Office. C. N. Hodges, a dealer in second-hand motor vehicles in Iloilo, challenged the ordinance, filing a petition for declaratory judgment in the Court of First Instance of Iloilo to declare the ordinance void and to seek a refund of the taxes paid. The City defended the ordinance as within its powers under the Local Autonomy Act. The case was decided on a stipulation of facts, with the court finding the imposition of the sales tax valid but the precondition for vehicle registration invalid. The decision was appealed by both parties.

### Issues:

1. Whether the City of Iloilo has the authority under Republic Act No. 2264 to enact an ordinance imposing a sales tax on the selling price of motor vehicles.
2. Whether the provision requiring tax payment as a precondition for vehicle registration and transfer of ownership is valid.

### Court's Decision:

The Philippine Supreme Court upheld the City of Iloilo's authority to impose a sales tax on the sale of second-hand motor vehicles, based on the powers granted to it under Section 2 of the Local Autonomy Act (Republic Act No. 2264). It ruled that this provision fell within the city's authority to impose taxes for public purposes. Rejecting the lower court's opinion, the Supreme Court further ruled that the requirement for tax payment as a precondition for vehicle registration was not a tax on vehicle registration (prohibited under Section 2(h) of Republic Act No. 2264) but a legitimate coercive measure to ensure tax compliance, thereby holding the entirety of the ordinance as valid.

### Doctrine:

The Supreme Court reiterated the doctrine that municipalities and cities have the power not only to impose taxes expressly granted by law but also to adopt necessary and reasonable means to make the imposition of such taxes effective. It further clarified that the power of taxation includes the authority to enforce compliance through ancillary measures.

### Class Notes:

- Municipalities and cities have explicit and implied powers under the Local Autonomy Act (Republic Act No. 2264), including taxation.
- The principle of necessary implication allows local government units to adopt means essential for the accomplishment of their taxation powers.
- An ordinance requirement that serves to enforce tax compliance, even if it involves preconditions on otherwise regulated activities (such as vehicle registration), does not constitute an impermissible tax if it can be seen as a reasonable enforcement measure.

### Historical Background:

This case highlights the extent of local autonomy in the context of the Philippines' legal and administrative system, particularly in the realm of taxation and local governance. It reflects the statutory empowerment of local government units through the Local Autonomy Act, juxtaposed with the limitations imposed by the same Act and the interpretation by the judiciary to balance local governance autonomy with regulatory uniformity.