

Title: Angeles University Foundation v. City of Angeles

Facts:

Angeles University Foundation (AUF), a non-stock, non-profit educational institution, applied for a building permit in August 2005 for an 11-storey building within its campus in Angeles City, Pampanga. The City's Building Permit Office assessed fees amounting to P126,839.20 for the permit and P238,741.64 for a Locational Clearance Fee. AUF claimed exemption from these fees, citing Department of Justice (DOJ) opinions and past instances where it was granted exemption for other construction projects. The City Treasurer sought clarification from the Bureau of Local Government Finance (BLGF), which endorsed the DOJ's opinion affirming AUF's exemption. Despite this, the City refused to issue the permits without payment.

AUF paid under protest fees totaling P645,906.84 for the Medical Center's construction and P130,930.64 for real property tax related to another property intended as a dormitory, which was not utilized due to the presence of informal settlers. After their requests for refunds were denied by the City Treasurer, AUF filed a complaint in the Regional Trial Court (RTC) of Angeles City, which ruled in favor of AUF, ordering the City to refund the fees with interest, and award attorneys' fees and litigation expenses.

The City appealed to the Court of Appeals (CA), which reversed the RTC's decision, stating that AUF, despite being a tax-free entity, is not exempt from regulatory fees like building permit fees. The CA differentiated between types of fees, ruling that the building permit fees are regulatory, not tax or revenue measures, and that AUF failed to prove its entitlement to refund based on the laws cited. AUF then took the case to the Supreme Court, arguing the CA erred in its decision.

Issues:

1. Whether AUF is exempt from the payment of building permit and related fees imposed under the National Building Code.
2. Whether AUF's property, assessed for real property tax and occupied by informal settlers, is also exempt.

Court's Decision:

The Supreme Court denied the petition, upholding the CA's decision.

1. The Court clarified that building permit fees are regulatory fees imposed for the regulation of specific activities and are not covered by the “other charges” exemption provided in RA 6055. Building permit fees apply universally and are not taxes from which AUF is exempt. The Court also highlighted that AUF had not proven that the fees were exorbitant or beyond regulatory purposes.

2. Regarding real property tax, the Court followed existing precedents that only properties “actually, directly and exclusively used” for educational purposes are exempt from such tax. AUF failed to demonstrate that their property, occupied by informal settlers, met these criteria for tax exemption.

Doctrine:

The case reaffirmed that building permit fees, being regulatory in nature, are not covered by general tax exemptions granted to educational institutions. It also re-emphasized the principle that to qualify for real property tax exemption under Philippine law, a property must be “actually, directly and exclusively used” for educational (or charitable/religious) purposes.

Class Notes:

The key elements central to this case are:

- **Regulatory Fees vs. Taxes:** Regulatory fees are charged by the government primarily for regulation of activities and to cover the costs associated with regulation, not to raise revenue. Taxes, on the other hand, are imposed primarily to raise revenues for general purposes.
- **Exemption from Payment:** Just because an entity is exempted from taxes doesn't automatically exempt it from regulatory fees unless explicitly stated by law.
- **Criteria for Real Property Tax Exemption:** For a property to be exempt from real property taxes, it must be actually, directly, and exclusively used for the purpose (educational, charitable, religious) that qualifies it for exemption.

Historical Background:

The case illustrates the complex interplay between various levels of governmental regulation, the autonomy of local government units in the Philippines, and the special status of educational institutions under the law. It underscores the balance the legal system must

maintain between fostering educational development and ensuring compliance with regulatory standards for safety and order.