

Title: ****Progressive Development Corporation vs. Quezon City****

Facts:

On 24 December 1969, the City Council of Quezon City enacted Ordinance No. 7997, known as the Market Code of Quezon City, imposing a 10% supervision fee on gross receipts from stall rentals in privately-owned public markets. This ordinance was amended by Ordinance No. 9236 on 23 March 1972, reducing the fee to 5% but characterizing it as a tax on gross receipts from the lease of space in such markets. Progressive Development Corporation (PDC), the owner-operator of Farmers Market & Shopping Center, challenged both ordinances in the then Court of First Instance of Rizal, arguing that these impositions were essentially taxes on income, which the City was prohibited from levying under Republic Act No. 2264, as amended. The City, supported by the Solicitor General, argued the fees were within its authority to regulate business and not taxes on income. After initially resisting Ordinance No. 9236, PDC eventually paid the fees under protest and sought a judicial resolution on the pleadings based on admitted facts. The trial court found for Quezon City, asserting the fees were regulatory license fees or taxes within the City's authority to impose. PDC appealed to the Supreme Court.

Issues:

1. Whether the imposition on gross receipts from stall rentals functions as an income tax or as a permissible license fee/tax.
2. Whether Quezon City's imposition of a gross receipts tax for revenue purposes requires explicit authorization from the national government.

Court's Decision:

The Supreme Court affirmed the trial court's decision, holding that the 5% tax imposed by Ordinance No. 9236 is not a tax on income but a license fee for regulating the business PDC is engaged in. The Court differentiated between a tax (primarily revenue-raising) and a license fee (primarily regulatory), finding this case to fall into the latter category. The Court emphasized the comprehensive legislative authority granted to Quezon City's Council, including the power to tax businesses such as PDC's. The amount imposed was presumed reasonable, and PDC failed to prove it was excessive. The Court also rejected the argument that Quezon City needed explicit national authorization to impose such a tax, as the City's regulatory power granted by its charter and the Local Autonomy Act included the power to tax.

Doctrine:

The decision establishes or reiterates the doctrine that local government units (LGUs), within their jurisdictional powers as granted by their charters and relevant national legislation, have authority to impose regulatory fees or taxes on businesses operating within their territories, provided these impositions are for public purposes, just, and uniform. Furthermore, the characterization of such impositions depends not on the label but on the primary purpose, with revenue-raising measures being taxes and regulation-oriented measures being license fees.

Class Notes:

- Distinction between taxes (revenue-raising) and license fees (regulatory).
- LGUs' authority to impose fees/taxes as per their charter and national legislation (e.g., Local Autonomy Act).
- Importance of the primary purpose behind the imposition in determining its characterization.
- Presumption of reasonableness of the fee/tax amount unless proven excessive.
- Relevance of municipal conditions and the nature of the business to the reasonableness of fees/taxes.

Historical Background:

This case illustrates the evolving dynamics of local autonomy in the Philippines, particularly in the context of LGUs' fiscal powers. The decision underscores the balance between enabling LGUs to regulate businesses and ensuring such powers are exercised within the bounds of national legislation and for the public good. It reflects broader discussions and legal developments concerning local governance, financial independence, and the role of LGUs in national development.