

### Title: The City Government of Quezon City vs. Bayan Telecommunications, Inc.

### Facts:

Bayan Telecommunications, Inc. (Bayantel) held a legislative franchise under Republic Act No. 3259, which included a provision on taxation. With the enforcement of the Local Government Code of 1991 (LGC) on January 1, 1992, local governments, including Quezon City, gained the power to levy taxes on real estate, thereby affecting Bayantel's exemptions. Subsequently, on July 20, 1992, Bayantel's franchise was amended through Republic Act No. 7633, which retained similar tax provisions as the original franchise but brought confusion regarding its real estate tax exemption status.

In response to new real property tax declarations issued by Quezon City, which effectively removed its previous tax exemptions, Bayantel sought exclusion of its real properties from taxable entities, which was denied. Bayantel proceeded to file an appeal with the Local Board of Assessment Appeals but eventually withdrew it in favor of directly challenging the tax levies in court. This action was precipitated by the issuance of notices of delinquency and warrants of levy against Bayantel's properties.

The Regional Trial Court (RTC) of Quezon City, in Civil Case No. Q-02-47292, issued a decision favoring Bayantel, declaring its real properties used in its operations exempt from real estate taxation. The City Government's motion for reconsideration was denied, leading to a direct appeal to the Supreme Court on pure questions of law.

### Issues:

1. Whether Bayantel's real properties in Quezon City are exempt from real property taxes under its amended legislative franchise.
2. Whether Bayantel was required to exhaust administrative remedies before seeking judicial relief.

### Court's Decision:

The Supreme Court denied the petition, affirming the RTC's decision that Bayantel's real properties directly used in its franchise operation are exempt from real property taxes. It ruled that:

1. **\*\*On the exhaustion of administrative remedies\*\***: Bayantel's decision to bypass the Local Board of Assessment Appeals was justified due to the urgent and primarily legal nature of

the issue, considering the imminent threat of property auction and the clarity of the legal question.

2. **\*\*On the tax exemption issue\*\***: The Court deduced that Bayantel's original franchise, as well as its amendment, effectively granted exemption from real property tax for properties used directly, actually, and exclusively in the operation of its franchise. This exemption was deemed restored by Republic Act No. 7633 despite the LGC's provision to the contrary.

### ### Doctrine:

The case reiterates the principle that legislative enactments granting or restoring tax exemptions to entities based on the utilization of their properties for franchise operations can prevail over general tax provisions in local government codes aimed at withdrawing such exemptions.

### ### Class Notes:

- Legislative Franchise Tax Provisions: Franchises may include specific provisions regarding tax liabilities, including possible exemptions for properties used in the operation of the franchise.
- Local Government Taxation vs. Legislative Exemptions: Legislative acts granting tax exemptions can override local government codes that withdraw such exemptions, especially when said acts are subsequent and specific.
- Exhaustion of Administrative Remedies: In cases where the issue is primarily legal and time is of the essence, recourse directly to judicial action may be justified.

### ### Historical Background:

The conflict between Bayantel and the City Government of Quezon City contextualizes within the broader legal and statutory developments, notably the transition brought by the 1987 Constitution and the Local Government Code of 1991, expanding local government powers, including taxation, alongside the continued legislative competence to stipulate exemptions through specific franchises.