

Title: National Power Corporation vs. Municipal Government of Navotas, et al.

Facts:

The National Power Corporation (NPC), a government-owned corporation, entered into Build-Operate-and-Transfer Project Agreements with Mirant Navotas I Corporation and Mirant Navotas II Corporation for the construction, operation, and transfer of gas turbine power stations located in Navotas. NPC was responsible for paying all taxes, except business taxes, related to these agreements. NPC ceased paying real property taxes from the 2nd quarter of 2003, claiming exemption under the Local Government Code (LGC) of 1991. Upon receiving notices of delinquency and a warrant of levy, NPC filed a petition with the RTC of Malabon City to declare the actions of the Navotas municipality, including the public auction of NPC's properties, null and void due to alleged tax exemption. The RTC denied this petition, citing NPC's failure to exhaust administrative remedies. The case progressed through various legal challenges, ultimately reaching the Court of Tax Appeals (CTA) En Banc, which also sided with the Municipality of Navotas. NPC then petitioned the Supreme Court for a review of the CTA's decisions.

Issues:

1. Whether the Court of Tax Appeals (CTA) Second Division has jurisdiction to review decisions of the Regional Trial Court (RTC) involving real property taxes.
2. Whether appeals to the Local Board of Assessment Appeals (LBAA) and the Central Board of Assessment Appeals (CBAA) are required before filing a petition for declaratory relief with the RTC on matters concerning real property tax.

Court's Decision:

The Supreme Court ruled in favor of the NPC, holding that the CTA, sitting as Division, has jurisdiction to review by appeal the decisions, rulings, and resolutions of the RTC over local tax cases, including real property taxes. The Court emphasized that when the legality or validity of the assessment is questioned, not merely its reasonableness, direct recourse to the RTC is warranted without the need to exhaust administrative remedies through LBAA and CBAA. The case was remanded to the RTC for verification and determination of the factual bases of NPC's claims.

Doctrine:

The Supreme Court clarified the jurisdiction of the CTA over decisions of the RTC in local tax cases and reinforced the principle that when a taxpayer disputes the authority and power of local government units to impose or collect taxes, rather than the correctness of

the tax assessment itself, it constitutes a legal question that can be directly taken to the judicial courts without necessarily exhausting administrative remedies.

Class Notes:

- ****Jurisdiction of CTA:**** The CTA has jurisdiction to review by appeal decisions of the RTC in local tax cases.
- ****Exhaustion of Administrative Remedies:**** When contesting the legality or validity of a tax assessment (a question of law), direct recourse to the RTC is allowed without needing to exhaust administrative remedies.
- ****Real Property Tax Disputes:**** Real property tax disputes that question the authority or power to impose and collect taxes fall under the jurisdiction of judicial courts when they concern legal issues.

Historical Background:

This case illustrates the complex legal avenues available for tax disputes in the Philippines and reinforces the judicial processes for challenging local government tax assessments. It clarifies the scope of the CTA's appellate jurisdiction, particularly regarding real property taxes, and the circumstances under which direct judicial action is permissible, thereby contributing to the broader jurisprudence on local taxation and administrative law.