

### Title:

\*\*Guialani vs. The Court of Appeals, et al.: The Case of Unsanctioned Tax Settlements\*\*

### Facts:

In 2013, Oscar S. Moreno, upon election as Mayor of Cagayan de Oro City, appointed Dr. Glenn Bañez as OIC-City Treasurer. Bañez issued a Notice of Assessment for unpaid taxes to Ajinomoto Philippines Corporation, based on a reclassification of their products. Ajinomoto contested this, leading to a case (Civil Case No. 2014-093) at the RTC of Misamis Oriental. A Settlement Agreement was made between the City Government and Ajinomoto, mediated by the court, revising the tax due to P300,000.00 from an original P2,924,428.34.

William Guialani, a local taxpayer and anti-corruption advocate, filed a complaint with the Ombudsman charging Moreno and Bañez with multiple violations, including Grave Misconduct. The Ombudsman found the respondents guilty, ordering their dismissal. Moreno and Bañez sought relief from the CA through Petitions for Certiorari and obtained a restraining order against their dismissal.

### Issues:

1. Whether the Settlement Agreement, which markedly reduced Ajinomoto's tax liability without Sangguniang Panlungsod's authority, violates provisions of the Local Government Code.
2. Whether Moreno and Bañez's actions, specifically the execution of the Settlement Agreement without Sanggunian approval, constituted Grave Misconduct.

### Court's Decision:

The Supreme Court partially granted the petitions, holding that the Settlement Agreement should have been authorized by the Sanggunian. The Court clarified that tax settlements are legislative acts needing ordinances for validity. However, only Bañez was found guilty of Simple Misconduct for not securing necessary Sanggunian approval. The charges against Moreno were dismissed for insufficiency of evidence. Additionally, the Court dismissed a petition for being moot and academic, as it related to restraining orders which were rendered ineffective by subsequent legal developments.

### Doctrine:

The case reaffirmed the necessity of Sanggunian approval for contracts or agreements entered into on behalf of local government units as mandated by the Local Government Code. It also underscored the difference between grave and simple misconduct, focusing on

the presence of corruption or willful violation of law for the former.

### Class Notes:

1. **Substantial Evidence** - required in administrative cases for a finding of guilt.
2. **Grave vs. Simple Misconduct** - Grave Misconduct involves corruption or a clear intent to violate the law. In contrast, Simple Misconduct involves improper behavior without corrupt intent.
3. **Local Government Contracts** - Section 22(c) of the Local Government Code requires Sanggunian authorization for local government contracts to bind the LGU.
4. **Tax Settlements** - As legislative acts, require ordinances for validity; unilateral decisions by city officials are not sufficient.

### Historical Background:

This case highlights the critical balance between local government autonomy in taxation and the safeguards against potential abuses. It reflects ongoing issues regarding the limits of authority within local government units and emphasizes the importance of checks and balances, particularly Sanggunian oversight, in financial matters.