

Title:

Jardine Davies Insurance Brokers, Inc. vs. Hon. Erna Aliposa and Rolando M. Carlos: A Case on the Validity of Local Tax Ordinances and the Requirement for Procedural Steps in Seeking Refunds

Facts:

Jardine Davies Insurance Brokers, Inc. filed a legal action questioning the Makati Revenue Code (Municipal Ordinance No. 92-072), enacted by the Sangguniang Bayan of Makati, which imposed taxes at rates higher than those in the Metro Manila Revenue Code. The ordinance faced criticism for being approved without prior public hearings, violating the Local Government Code and its Implementing Rules. Despite this, Jardine Davies paid the imposed taxes without protest and later sought a refund, arguing the ordinance was nullified by the Department of Justice (DOJ) due to its improper enactment. The company's request for a tax credit/refund was denied by Makati's Treasurer, prompting Jardine Davies to file a complaint with the Makati Regional Trial Court (RTC). The case went through various procedural stages, including a motion to dismiss by Makati, which the RTC granted based on the argument that Jardine Davies' action had prescribed due to its failure to protest the tax assessment within the mandated 60 days. The RTC's decision was upheld upon Jardine Davies' motion for reconsideration, leading to the filing of a petition for review on certiorari with the Supreme Court.

Issues:

1. Whether a taxpayer can challenge the validity of a tax ordinance and seek a refund without first protesting the tax assessment as mandated by the Local Government Code.
2. Whether the failure of Jardine Davies to appeal to the Secretary of Justice within 30 days from the ordinance's effectivity was fatal to its case for a refund.

Court's Decision:

The Supreme Court denied the petition, affirming the RTC's dismissal of Jardine Davies' complaint. The Court ruled that, generally, a taxpayer can challenge a tax ordinance's validity and seek a refund without first filing a protest regarding the assessment. However, in this case, Jardine Davies' failure to appeal the ordinance's validity to the Secretary of Justice within the statutory 30-day period after the ordinance's effectivity constituted a fatal procedural lapse. The Court further noted that Jardine Davies' subsequent payment of the assessed taxes without any protest underscored the lack of a timely and proper challenge to the ordinance's legality, rendering its complaint merely an afterthought.

Doctrine:

This case reiterates the doctrine that procedural steps outlined in statutes, such as the requirement to appeal the legality or constitutionality of a tax ordinance to the Secretary of Justice within a certain period, are mandatory. Failure to adhere to these procedural requirements can be fatal to a taxpayer's subsequent legal actions challenging the ordinance or seeking a refund based on its alleged invalidity.

Class Notes:

- **Tax Ordinance Challenges and Refunds**: Taxpayers challenging the validity of a tax ordinance must adhere to procedural requirements, including timely appealing to the Secretary of Justice.
- **Mandatory Procedural Requirements**: Compliance with the procedural steps, such as the 30-day appeal period to the Secretary of Justice following an ordinance's effectivity, is crucial for the legality of challenges to tax ordinances.
- **Section 187 of the Local Government Code**: Outlines the procedural steps for challenging the legality and constitutionality of tax ordinances and mandates public hearings prior to enactment.
- **Payment under Protest**: The general rule is that taxpayers must first pay the tax under protest before seeking a refund, except when questioning the taxing authority's power itself.

Historical Background:

The backdrop of this case is the enactment of Municipal Ordinance No. 92-072 by the Sangguniang Bayan of Makati, which imposed higher tax rates than the prevailing Metro Manila Revenue Code. This ordinance became a subject of legal scrutiny for allegedly violating procedural requirements under the Local Government Code of 1991, highlighting the balance between the autonomy of local government units in raising revenues and the need to comply with statutory and constitutional standards.