

**\*\*Title:\*\*** Philippine Long Distance Telephone Company, Inc. vs. Province of Laguna and Manuel E. Leycano, Jr.

**\*\*Facts:\*\***

The case originated when the Philippine Long Distance Telephone Company, Inc. (PLDT), filed a petition for review on certiorari with the Supreme Court, seeking to reverse the Regional Trial Court (RTC) of Laguna's decision which dismissed PLDT's petition for a refund of franchise tax. PLDT argued exemption from local franchise taxes based on its legislative franchise under Act No. 3436, as amended, and Republic Act No. 7082, which included an "in-lieu-of-all-taxes" clause. Conversely, the Province of Laguna, leaning on provisions from the Local Government Code (Republic Act No. 7160), imposed a local franchise tax, which PLDT complied with in 1998 but sought a refund for in 1999, following an exemption interpretation provided by the Bureau of Local Government Finance due to Republic Act No. 7925 (the Public Telecommunications Policy Act of the Philippines). The trial court denied PLDT's petition, leading to this Supreme Court recourse.

**\*\*Issues:\*\***

1. Whether PLDT's franchise and subsequent laws exempt it from paying local franchise taxes to the Province of Laguna.
2. The applicability and interpretation of the "in-lieu-of-all-taxes" clause in PLDT's franchise in conjunction with related laws, including the Local Government Code and the Public Telecommunications Policy Act of the Philippines.
3. The legal standing of the Bureau of Local Government Finance's ruling exempting PLDT from local franchise taxes since the effectiveness of the Public Telecommunications Policy Act.

**\*\*Court's Decision:\*\***

The Supreme Court denied the petition, affirming the decision of the RTC, thereby holding that PLDT is not exempt from paying the local franchise tax to the Province of Laguna. The Court reiterated its stance from prior similar cases (PLDT vs. City of Davao and PLDT vs. City of Bacolod, et al.) that Section 23 of Republic Act No. 7925 does not exempt PLDT from franchise taxes imposed by local government units. It underscored the principle that tax exemptions are highly disfavored, and any claim to exemption must be clearly granted by law, which was not the case here.

**\*\*Doctrine:\*\***

The doctrine established by this case emphasizes that tax exemptions must be clearly

provided by law and are strictly construed against the taxpayer. The Court also reiterated its interpretation that the “in-lieu-of-all-taxes” clauses in franchises do not automatically exempt entities from local taxes unless explicitly stated, applying the principle of strict construction of tax exemptions.

**\*\*Class Notes:\*\***

- **\*\*Tax Exemptions:\*\*** Highly disfavored and must be clearly indicated by law.
- **\*\*Local Government Code (RA 7160):\*\*** Gives provinces the authority to impose local franchise taxes, notwithstanding existing tax exemption privileges.
- **\*\*Public Telecommunications Policy Act of the Philippines (RA 7925):\*\*** Its Section 23, calling for equal treatment in the telecommunications industry, does not inherently grant tax exemptions.
- **\*\*“Bureau of Local Government Finance Ruling”:\*\*** The interpretation of the law by administrative bodies does not necessarily carry weight in judicial review, especially on legal questions.

**\*\*Historical Background:\*\***

This case is pivotal in the evolving interaction between national franchises granted to telecommunications entities and the fiscal autonomy of local government units as empowered by the Local Government Code. It underscores the shifting legal landscape in the Philippines regarding tax exemptions and local government taxation against the backdrop of liberalizing the telecommunications industry under the Public Telecommunications Policy Act. The case further solidifies the jurisprudential principle that tax exemptions are not lightly conferred and must be expressly stipulated by the legislature.