

Title: Luz R. Yamane vs. BA Lepanto Condominium Corporation: A Case on Local Business Taxation and Judicial Review

Facts:

BA-Lepanto Condominium Corporation (the “Corporation”) received a Notice of Assessment from the City Treasurer of Makati, Luz Yamane, dated December 14, 1998, for city business taxes, fees, and charges amounting to P1,601,013.77 for the years 1995 to 1997. The Corporation contested the assessment via a written tax protest, arguing it was not liable for business taxes under the Makati Revenue Code or the Local Government Code, asserting that its activities did not constitute “business” as defined under these laws.

The protest was denied by the City Treasurer, who maintained that the Corporation’s activities warranted taxation. The Corporation then appealed to the RTC of Makati, which dismissed the appeal, agreeing with the City Treasurer. The Corporation moved to the Court of Appeals via a Petition for Review under Rule 42, initially dismissed due to procedural issues but later reinstated. The Court of Appeals reversed the RTC’s decision, concluding that the Corporation was not engaged in business and thus not liable for city business taxes.

Yamane appealed to the Supreme Court, raising procedural issues regarding the mode of judicial review and substantive issues concerning the power of local government units to tax condominium corporations.

Issues:

1. The proper mode of judicial review for decisions of regional trial courts on the denial of tax protests under the Local Government Code.
2. Whether a local government unit can compel a condominium corporation to pay business taxes.

Court’s Decision:

The Supreme Court upheld that while the procedural posture raised by Yamane was correct, the merits of the case justified overlooking the procedural error. Substantively, the Court concluded that condominium corporations are generally exempt from local business taxation under the Local Government Code and the Makati Revenue Code because their activities do not constitute “business” as defined by law. The assessments collected by the condominium corporation from its members are for the purpose of managing and maintaining the property, not for profit. The Court denied Yamane’s petition, affirming the decision of the Court of Appeals.

Doctrine:

The decision established that condominium corporations, organized not for profit but to manage the common areas of a condominium, do not engage in “business” as defined by the Local Government Code and are generally exempt from local business taxation.

Class Notes:

- The judicial review of decisions denying tax protests by local treasurers falls under the original jurisdiction of regional trial courts.
- Condominium corporations, whose activities are limited to managing and maintaining the common areas of the condominium for the benefit of the unit owners and not for profit, are generally exempt from local business taxes.
- The legal definition of “business” under the Local Government Code is “trade or commercial activity regularly engaged in as a means of livelihood or with a view to profit.”

Historical Background:

This case reflects the complexities of local government taxation on entities whose activities blur the lines between property management and engaging in business. It underscores the necessity for clear statutory definitions and guides how local government units exercise their taxing powers, particularly in contexts where traditional definitions of “business” may not readily apply.