

Title: Lepanto Consolidated Mining Company vs. Hon. Mauricio B. Ambanloc

Facts:

Lepanto Consolidated Mining Company (Petitioner) was issued a mining lease contract by the national government for its "TIKEM" leased mining claim in Benguet, granting it rights to extract mineral deposits including sand and gravel for operational needs. Led by advice from the Mines and Geo-sciences Bureau (DENR), Lepanto extracted quarry materials without permits, using these for back-filling stopes and infrastructure construction. Benguet's provincial treasurer (Respondent) demanded Lepanto pay P1,901,893.22 as sand and gravel tax for extractions from 1997 to 2000. Contesting this, Lepanto was denied in a letter-protest and consequently challenged the assessment in the Regional Trial Court (RTC) of Benguet, which ruled against them. The Court of Tax Appeals (CTA) Second Division and later, the En Banc, affirmed the RTC's decision, leading to Lepanto's appeal to the Supreme Court.

Issues:

1. Whether Lepanto's extraction of sand and gravel for exclusive use in its mining operations is liable for the tax imposed by the Province of Benguet.

Court's Decision:

The Supreme Court denied Lepanto's petition, affirming the decision of the CTA En Banc. The Court found that:

1. The tax on sand and gravel under the Local Government Code (Republic Act 7160) and the Revised Benguet Revenue Code applies irrespective of whether the extraction is for commercial or non-commercial use.
2. Lepanto's mining lease contract with the national government does not exempt it from needing a local permit for sand and gravel extraction, nor does it preclude the applicability of local taxes on such extraction.
3. The imposed tax is an excise tax on the privilege of extracting sand and gravel, which provincial governments are authorized to levy independently of the national government's taxation on the company's main business. Therefore, Lepanto's extraction activities, although incidental to its mining operations, are taxable.

Doctrine:

1. ****Taxation of Non-Commercial Extraction****: Local governments are authorized to impose taxes on the extraction of sand, gravel, and other quarry resources, irrespective of whether the extraction is for commercial or non-commercial purposes.

2. **Excise Tax**: Provincial governments can levy excise taxes on quarry resources independently from the national government's taxation on a company's main business.

Class Notes:

- **Local Government Tax Authority**: Under RA 7160, local governments have the authority to levy taxes on extractions from public lands without distinction between commercial and non-commercial usage.
- **Excise Tax vs. Business Tax**: The case distinguished between excise taxes (levied on the privilege of extraction) and business taxes (on business operations), supporting the imposition of the former even when the extraction is incidental to the company's main business.
- **Permit Requirements**: Holding a national government issue mining lease does not exempt an entity from local government permit requirements for extracting natural resources, nor from the taxes tied to such extractions.

Historical Background:

The case illustrates the complex intersection between national permissions for resource extraction and the prerogative of local government units to levy taxes on such activities within their jurisdiction. It underscores the autonomy of provincial governments to impose taxes on natural resource extraction, reinforcing the principle of local governance and fiscal autonomy as enshrined in the Local Government Code.