

Title:

“Honorable Leila M. De Lima vs. City of Manila: Questioning the Constitutionality of Local Tax Ordinances”

Facts:

On November 26, 2013, the City Council of Manila enacted Ordinance No. 8331, known as the “2013 Omnibus Revenue Code of the City of Manila,” which was subsequently approved by Mayor Joseph Ejercito Estrada. The law sought to impose higher percentage taxes on gross sales of retailers, increasing it from 1% to 3% for certain categories. Retail business operators filed an appeal to then Secretary of Justice Leila M. De Lima, arguing that the ordinance violated constitutional and statutory limitations on local taxation.

De Lima initially found for the business operators, declaring Section 104 of the ordinance void for breaching the 10% limit on tax increase set by the Local Government Code (LGC). Unwilling to accept this decision, the City of Manila first sought reconsideration from De Lima, then, without awaiting her decision, it escalated the matter to the Regional Trial Court (RTC) through a Petition for Review Ad Cautelam. The RTC refused the petition and upon appeal, the Court of Appeals (CA) remanded the case back to the RTC, instructing it to proceed with the case. The matter finally escalated to the Supreme Court upon further appeal.

Issues:

1. Whether the Court of Appeals (CA) erred in ruling that the RTC has jurisdiction to resolve appeals from resolutions of the Secretary of Justice concerning the constitutionality of tax ordinances.
2. Whether the CA erred in finding no forum shopping by the City of Manila concurrently pursuing a motion for reconsideration and a judicial review.
3. The substantive legality of the tax rates imposed by Ordinance No. 8331 under the Local Government Code and the Constitution.

Court’s Decision:

The Supreme Court partly granted the petition, focusing issues on procedural and substantive grounds. Procedurally, it clarified the proper avenues for review of the Secretary of Justice’s decisions, aligning that they constitute quasi-judicial acts subject to certiorari under Rule 65, but wrongly lodged at the RTC instead of the CA.

Substantively, the Court ruled Section 104 of Ordinance No. 8331 partially invalid as it

exceeded limitations set by the LGC's Section 191, which restricts tax rate increases to a maximum of 10% of the rates fixed under the LGC.

Doctrine:

The Supreme Court reiterates the power of local government units (LGUs) to impose taxes within statutory limits, underscoring the procedural path for challenging local tax ordinances — initially through the Secretary of Justice and, if needed, through judicial review in the Court of Appeals, not the RTC. It affirms the limitations on local business tax adjustments detailed in the LGC, specifically, the 10% maximum increase over previously established rates.

Class Notes:

- Rule 45 appeals under the Rules of Court are applicable for final judgments and orders of the CA, including those involving local tax ordinances.
- The procedural requirement for contesting local tax ordinances includes an initial appeal to the Secretary of Justice, followed, if necessary, by judicial review, highlighting the specificity of the Court of Appeals as the appropriate venue.
- The statutory limit for local government tax rate increases is 10% over existing rates, not exceeding once every five years.
- Forum shopping involves pursuing multiple judicial remedies across different courts concerning the same issue, expressly prohibited to prevent contradictory rulings.

Historical Background:

This case illustrates the complexities surrounding local government taxation, navigating the interplay between legislative autonomy under the Local Government Code and judicial oversight to uphold constitutional and statutory standards. It underscores the evolving dynamics of local governance in the Philippines, particularly in balancing local fiscal autonomy with legal and constitutional boundaries.