

**\*\*Title:\*\*** Capitol Wireless, Inc. vs. The Provincial Treasurer of Batangas, et al.

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

1. Capitol Wireless, Inc. (Capwire) is a corporation in the business of providing international telecommunications services through various international submarine cable networks like the Asia Pacific Cable Network System (APCN).
2. Capwire co-owns the “Wet Segment” of APCN, while the landing stations in Nasugbu, Batangas, are owned by the Philippine Long Distance Telephone Corporation (PLDT). The “Wet Segment” is reportedly laid in international waters.
3. Capwire’s interest in the cable system is reported in its books as “Indefeasible Rights in Cable Systems.”
4. For loan restructuring, Capwire appraised and registered the value of its right, submitting a Sworn Statement of True Value of Real Properties to the Provincial Treasurer’s Office of Batangas.
5. This led to assessments of real property tax against Capwire for different segments of the cable system.
6. Capwire objected, claiming that the cable system lies outside Philippine territory and cannot be taxed.
7. Capwire received a Warrant of Levy and Notice of Auction Sale from the Provincial Treasurer.
8. Capwire filed a petition for a declaration of nullity of the warrant and notice in the Regional Trial Court (RTC) of Batangas.
9. The RTC dismissed the petition due to Capwire’s failure to comply with prerequisites such as payment under protest and appealing to the Local Board of Assessment Appeals (LBAA).
10. Capwire’s motion for reconsideration was denied, prompting it to appeal to the Court of Appeals which affirmed the RTC’s decision.
11. Capwire then filed a petition for review on certiorari to the Supreme Court.

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

1. Whether the case should be brought before administrative agencies as required by the Local Government Code.
2. Whether submarine communications cables can be classified as taxable real property by local governments.

**\*\*Court’s Decision:\*\***

\*On the first issue:\*

- The Supreme Court upheld the decision of the Court of Appeals, finding the case involved factual questions necessitating resolution before administrative bodies like the LBAA.
- Capwire's arguments relied on unsubstantiated assumptions and conclusions of law, specifically about the cable's location and ownership status, which required factual determination.

\*On the second issue:\*

- The Supreme Court affirmed that submarine cables used for telecommunications can be classified as taxable real property akin to electric transmission lines.
- The Court noted that parts of the cable lying within Philippine jurisdiction can be taxed as they fall under "machinery" in Art. 415 of the Civil Code.
- Without any express exemption from real property tax for Capwire's cables, such property is subject to local taxation.

\*\*Doctrine:\*\*

1. **Exhaustion of Administrative Remedies:** Taxpayers must first avail administrative remedies and pay under protest before seeking judicial action, except where the assessment itself is illegal or without legal authority.
2. **Taxation of Property:** Submarine cables can be classified as taxable real property similar to electric transmission lines within the jurisdiction of local taxing authorities under the concept of "machinery" as per Civil Code Article 415.

\*\*Class Notes:\*\*

- **Exhaustion of Administrative Remedies:** Key requirements under the Local Government Code:
  - Appeal to Local Board of Assessment Appeals (§226, LGC)
  - Payment under protest (§252, LGC)
- **Tax Classification of Property:**
  - Real property includes immovable machinery (Art. 415, Civil Code)
  - Local taxing authorities' jurisdiction over submarine cables laid within territorial waters and municipal waters
- **Relevant Documents:**
  - Local Government Code provisions on real property assessment and administrative remedies
  - Civil Code Article 415 on classification of immovables
  - United Nations Convention on the Law of the Sea (UNCLOS) on territorial waters

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

The Local Government Code of 1991 significantly devolved powers, including tax collection, to local government units (LGUs). This case reflects these enhanced tax authorities and the compliance required by entities like Capwire owning complex taxable properties such as international submarine cables. The tax exemption privileges enjoyed under specific legislative franchises have been curtailed, requiring adherence to local taxing codes and procedures.