

Title: Allied Banking Corporation as Trustee for the Trust Fund of College Assurance Plan Philippines, Inc. (CAP) vs. Quezon City Government et al.

Facts:

The case centers around the validity of certain provisions in Quezon City Ordinance No. 357 Series of 1995. Petitioner Allied Banking Corporation, serving as trustee for the Trust Fund of College Assurance Plan Philipp, contested the legality of the third sentence of Section 3 of the Ordinance. The contentious sentence required real estate taxes to be assessed based on the higher of either the actual amount reflected in the deed of conveyance or the Bureau of Internal Revenue's (BIR) zonal valuation.

Initially, Allied Banking Corporation paid the assessed real property taxes but did so under protest. They filed for a refund with the Quezon City Treasurer, who referred the matter to the Quezon City Assessor. The City Assessor denied the refund, citing adherence to the Ordinance.

Subsequently, Allied Banking Corporation filed a petition with the trial court seeking nullification of the third sentence of Section 3 of the Ordinance. The trial court ruled in favor of the petitioner, leading the case to ascend through appeals until it reached the Supreme Court.

Issues:

1. Was the third sentence of Section 3 of Quezon City Ordinance No. 357 Series of 1995, which dictates assessment based on whichever is higher between the deed of conveyance amount or BIR zonal valuation, valid?
2. Is Allied Banking Corporation entitled to an automatic refund for the real property taxes paid under the invalidation of the ordinance provision?
3. Should the petitioner exhaust administrative remedies before seeking judicial relief?

Court's Decision:

1. Validity of Ordinance Provision:

The Supreme Court ruled that the third sentence of Section 3 of Quezon City Ordinance No. 357 Series of 1995 is invalid. It was found to be ultra vires as it contravened the Local Government Code and its Implementing Rules and Regulations, as well as Local Assessment Regulations No. 1-92 issued by the Department of Finance.

2. Entitlement to Tax Refund:

While the Court acknowledged that the petitioner was indeed entitled to a tax refund due to

the invalidation of the ordinance provision, it held that the refund did not occur automatically. The amount of the claim must be established and properly verified through the administrative procedures outlined in the Local Government Code, specifically Section 253.

3. Exhaustion of Administrative Remedies:

The Court reiterated the necessity for the petitioner to follow administrative procedures for claiming a refund. Accordingly, the procedural steps involving filing with the Local Board of Assessment Appeals and other relevant administrative bodies must be adhered to, confirming that an automatic refund would bypass these required channels.

Doctrine:

1. Ultra Vires Doctrine - Local government ordinances must adhere to overarching national statutes, in this case, the Local Government Code.
2. The Necessity of Exhausting Administrative Remedies - Taxpayers must pursue established administrative remedies before seeking judicial intervention for tax refunds.

Class Notes:

Key Elements:

- Ultra Vires Act: An act performed beyond the scope of legal authority.
- Administrative Exhaustion: The requirement to use all available administrative remedies before resorting to judicial measures.

Statutory Provisions:

- Section 253, LGC: Details the procedure for claiming refunds on taxes deemed illegal or erroneously collected.
- Sections 226-231, LGC: Outline the functions and procedures of Local and Central Boards of Assessment Appeals.

Application:

- Ultra Vires Doctrine prohibits any ordinance that contradicts national laws.
- Administrative Exhaustion underscores the step-by-step procedures needed for taxation disputes, preventing bypass of established processes.

Historical Background:

This case arose during a period when local governments in the Philippines were exerting more control over taxation and property assessment, coinciding with the post-1991 Local Government Code era. It highlights the checks and balances between local ordinances and

national legislative frameworks in the realm of tax assessments and refunds, illustrating the higher judiciary's role in maintaining statutory compliance.