

**\*\*Title:\*\*** Benguet Corporation vs. Central Board of Assessment Appeals, et al.

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

In 1985, the Provincial Assessor of Zambales assessed Benguet Corporation's tailings dam and the land it occupied as taxable improvements amounting to ₱11,319,304.00. Benguet Corporation contested this, believing the properties weren't subject to realty tax. They appealed the assessment to the Board of Assessment Appeals of Zambales, which dismissed it on August 24, 1988, due to the petitioner's failure to pay realty taxes during the appeal.

Benguet Corporation then elevated the issue to the Central Board of Assessment Appeals (CBAA), which, on March 22, 1990, reversed the dismissal but sustained the assessment, ruling that the tailings dam and the submerged lands were real property subject to tax under Article 415 of the New Civil Code and Section 38 of the Real Property Tax Code (P.D. 464).

Benguet Corporation believed the dam was not an improvement per the Real Property Tax Code and did not have independent market value, disputing the assessed valuation and any penalties for non-declaration of the properties. The petition was brought before the Philippine Supreme Court via certiorari to reverse CBAA's ruling.

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

1. Whether the tailings dam can be considered an "improvement" pursuant to the Real Property Tax Code.
2. Whether the valuation of the tailings dam and submerged lands was appropriate.
3. Whether Benguet Corporation is liable for penalties due to non-declaration of the properties for realty tax purposes.

**\*\*Court's Decision:\*\***

1. **\*\*Improvement Classification:\*\***

- The Supreme Court held that the tailings dam qualified as an improvement under Section 3(k) of the Real Property Tax Code and as real property under Article 415 of the Civil Code. The Court emphasized that the dam was a construction adhered to the soil and was permanent, enhancing the value and utility of Benguet's mine.

2. **\*\*Valuation:\*\***

- The valuation at P50.00 per square meter was upheld. The Court found the Provincial Assessor's use of the "residual value formula" appropriate and in line with the Schedule of Market Values for Zambales. Benguet Corporation failed to convincingly argue the valuation

as excessive or unconscionable.

3. **Penalties:**

- The Court disagreed with the CBAA's ruling not addressing the penalty issue and found that Benguet Corporation was acting in good faith, challenging the assessment on valid grounds without intent to evade taxes. Thus, the imposition of penalties for non-declaration was set aside.

**Doctrine:**

1. **Benguet Corporation Doctrine:** A structure assessed as a permanent and valuable addition to property enhancing its value and utility is an "improvement" and is considered real property subject to realty tax under Article 415 of the Civil Code.
2. **Valuation Assessment Respect:** The Court respects assessments by quasi-judicial bodies like the CBAA unless there's a clear showing of grave abuse of discretion.

**Class Notes:**

- **Improvements Definition:** Section 3(k) of the Real Property Tax Code defines improvements as valuable additions or ameliorations amounting to more than mere repairs or replacements, aimed at enhancing value or utility.
- **Real Property:** Article 415 of the Civil Code includes constructions adhered to the soil as real property.
- **Good Faith in Taxation:** Entities acting in genuine belief about tax applicability may not be penalized for non-declaration if contesting in good faith.

**Historical Background:**

- This case underscores the Philippine judiciary's approach to defining "real property" in tax law, setting a precedent for the taxation of industrial constructions like dams. The ruling reflects the balance between environmental regulations requiring certain structures and the broad application of the Real Property Tax Code, ensuring that valuable assets enhancing utility and value are subject to taxation. This period in Philippine history saw developing industrial and environmental standards, thus the need for rulings addressing such complexities in tax assessments.