

Title: National Power Corporation vs. Province of Pampanga

Facts:

- Background:** National Power Corporation (NPC) is a government-owned and controlled corporation created by virtue of Republic Act (RA) No. 6395, as amended.
- Assessment Letter:** On June 26, 2009, NPC received an Assessment Letter dated June 24, 2009, from the Provincial Treasurer of Pampanga demanding payment of local franchise tax based on the 1992 Provincial Tax Code of Pampanga.
- NPC Protest:** NPC protested the assessment, contending that under the Electric Power Industry Reform Act (EPIRA Law - RA No. 9136), its power generation activities were no longer considered public utilities requiring a franchise and thus should not be subject to a franchise tax.
- Provincial Treasurer's Inaction:** The Provincial Treasurer did not act on NPC's protest, prompting NPC to appeal to the Regional Trial Court (RTC).
- RTC Decision:** On July 23, 2013, the RTC decided in favor of Pampanga, holding NPC liable for the franchise tax. The court reasoned that NPC, through its power supply operations, was still liable for the tax.
- Appeal to CTA:** NPC appealed to the Court of Tax Appeals (CTA) Second Division, which annulled the RTC decision, citing uncertainties in the assessment's details and remanded the case back to the RTC.
- CTA En Banc Decision:** Dissatisfied, NPC elevated the matter to the CTA En Banc, which on September 9, 2016, upheld the Second Division but also remanded the case to the court a quo for the determination of the specifics.
- Dissenting Opinion:** Justices Del Rosario and Bautista dissented, citing a lack of due process as the Assessment Letter failed to meet the formal requirements of notification.
- NPC's Motion for Reconsideration:** NPC's motion for reconsideration was denied by the CTA En Banc on March 17, 2017, prompting NPC to file a petition for review with the Supreme Court.

Issues:

1. Whether the filing of the Petition for Review directly with the Supreme Court was proper.
2. Whether the assessment detailed in the Assessment Letter complied with due process requirements under Section 195 of the Local Government Code.
3. Whether NPC is liable for franchise tax given its functions under the EPIRA Law.

Court's Decision:

1. **Jurisdiction Validity:** The Supreme Court ruled that NPC's Petition for Review was correctly filed with the SC under Rule 45 of the Rules of Court, aligning with the elevation of the CTA to the level of the Court of Appeals.
2. **Due Process Requirement:** The Court found that the Assessment Letter issued by the Provincial Treasurer lacked mandatory details like the amount of the deficiency tax, penalties, and the specific period covered, thereby violating Section 195 of the Local Government Code and depriving NPC of due process.
3. **Resultant Liability:** Due to the void nature of the assessment, NPC was not liable for the franchise tax based on the Provincial Treasurer's flawed assessment process.

Doctrine:

- **Due Process in Tax Assessments:** Notifications of tax assessments must clearly state the nature, amount of deficiency, surcharges, interest, and penalties. Failure to provide these details invalidates the assessment.
- **Supreme Court's Jurisdiction:** Decisions of the CTA En Banc are appealable to the Supreme Court under Rule 45.

Class Notes:

Key elements:

1. **Due Process in Taxation:** Tax assessment notices must comply with detailed notification requirements.
2. **Jurisdiction on Appeals:** Clarification of appellate jurisdiction framework post-elevation of the CTA.
3. **Legal Basis of Tax Liability:** Proper legal framework and current statutory compliance in tax assessments.

Relevant Statutes:

- **Section 195 of the Local Government Code:** Requirements for protest of tax

assessments.

- **RA No. 9136 (EPIRA Law):** Statutory functions and franchise criteria for NPC.
- **RA No. 9282:** Elevated CTA's rank.

Historical Background:

The case emanates from the premise of significant reforms in the Philippine power sector with the enactment of the EPIRA Law in 2001. The transitioning responsibilities from NPC to other entities like Transco and PSALM introduced complexities in regulatory and fiscal accountability, leading to disputes like this one involving local government taxation policies versus statutory exemptions under EPIRA.