

****Title:****

Clark Investors and Locators Association, Inc. vs. Secretary of Finance and Commissioner of Internal Revenue

****Facts:****

1. Congress enacted RA No. 7227 (Bases Conversion and Development Act of 1992) on March 13, 1992, establishing the Subic Special Economic Zone (SSEZ). Businesses within the zone were exempt from national and local taxes and instead paid a 5% gross income tax.
2. RA No. 9400, enacted on March 20, 2007, extended these tax incentives to the Clark Freeport Zone (CFZ).
3. On February 17, 2012, the Department of Finance (DOF) issued Revenue Regulations No. 2-2012 (RR 2-2012), imposing VAT and excise tax on the importation of petroleum products into Freeport and Economic Zones, contrary to the tax exemptions in RA No. 7227 and RA No. 9400.
4. On March 8, 2012, Clark Investors and Locators Association, Inc. (Petitioner), representing businesses in CFZ, filed a petition for certiorari with the Supreme Court to annul RR 2-2012, alleging it violated the tax exemptions granted by RA No. 7227 and RA No. 9400.
5. Respondents (Secretary of Finance and Commissioner of Internal Revenue) argued, through the Office of the Solicitor General (OSG), that the petition should be dismissed, as certiorari cannot be used against quasi-legislative rules and the proper remedy should be through the hierarchy of courts.

****Issues:****

1. Whether a petition for certiorari under Rule 65 of the 1997 Rules of Civil Procedure is an appropriate remedy to challenge the quasi-legislative act (RR 2-2012) of the DOF.
2. Whether the Supreme Court has original jurisdiction over the case.
3. Whether RR 2-2012, imposing VAT and excise tax on Freeport and Economic Zones, unlawfully revoked the tax exemptions granted by RA No. 7227 and RA No. 9400.

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

1. ****Appropriateness of Certiorari:**** The Supreme Court ruled that certiorari is not the appropriate remedy as respondents issued RR 2-2012 in their quasi-legislative capacities. Certiorari is applicable only to actions by bodies exercising judicial or quasi-judicial functions.
2. ****Jurisdiction:**** The Supreme Court emphasized that it does not have original jurisdiction over a petition essentially seeking declaratory relief on the validity of RR 2-2012 as this falls

under the jurisdiction of Regional Trial Courts. The petition did not establish exceptional or compelling circumstances to warrant a direct resort to the Supreme Court.

3. **Tax Exemptions Question:** The Court did not address this issue due to the procedural defects in the filing and nature of the petition, focusing instead on the jurisdictional and procedural grounds for dismissal.

Doctrine:

- The action for certiorari is limited to judicial or quasi-judicial acts and does not cover quasi-legislative actions such as DOF regulations issued under rule-making powers.
- The Supreme Court may not entertain actions for declaratory relief at the first instance; such actions fall within the jurisdiction of lower courts.
- Direct resort to the Supreme Court is reserved only for exceptional cases involving national interest or serious implications.

Class Notes:

1. **Certiorari:** Only applicable against judicial or quasi-judicial acts, not quasi-legislative ones.
2. **Declaratory Relief:** Falls under the jurisdiction of Regional Trial Courts, not the Supreme Court.
3. **Hierarchy of Courts:** Importance of observing the judicial hierarchy to avoid overloading higher courts and proper adjudication of cases at appropriate levels.
4. **Tax Exemption Legislation:** Understand the protective legal framework surrounding special economic zones like the SSEZ and CFZ, based on specific acts like RA 7227 and RA 9400.
5. **Rule-Making Powers:** Administrative issuances based on statutory rule-making authority are considered quasi-legislative acts.

Historical Background:

The case is grounded in the context of the Philippine government's efforts to convert former military bases into economically vibrant freeports and special economic zones, offering fiscal incentives to boost investments and employment, specifically through RA 7227 and its amendments (RA 9400). The administrative conflict in this case addresses the tension between maintaining established fiscal incentives for economic zones and the statutory authority of government agencies to regulate imports and taxes.