

****Title:****

New Vision Satellite Network, Inc. vs. Provincial Government of Cagayan

****Facts:****

New Vision Satellite Network, Inc. (“New Vision”) operates a Cable Television System (CATV) within the municipalities of Ballesteros and Abulug in Cagayan Province, under a Certificate of Authority from the National Telecommunications Commission (NTC). On December 19, 2013, the Sangguniang Panlalawigan of Cagayan issued Provincial Ordinance No. 2013-8-008 revising the Provincial Revenue Code. This revision mandated CATV operators to pay franchise tax based on gross receipts and required an annual Governor’s permit fee.

In 2014, the Provincial Government of Cagayan demanded that New Vision pay its tax obligations from 2001 to 2014 amounting to ₱360,094.00. The company ignored these demands, leading to a Final Demand on January 22, 2015. New Vision subsequently filed a Petition for Certiorari and Prohibition with Temporary Restraining Order before the RTC on February 9, 2015, seeking to invalidate Sections 57(e) and 108(c) of the Provincial Revenue Code, arguing they were ultra vires and unjust, among other concerns.

The RTC dismissed the petition on November 24, 2015, for failure to exhaust administrative remedies per Section 195 of the Local Government Code (LGC). The RTC also denied New Vision’s motion for reconsideration on September 5, 2016. New Vision then appealed to the CA, which affirmed the RTC’s dismissal on February 12, 2019, and denied New Vision’s motion for reconsideration on July 29, 2019. New Vision sought relief from the Supreme Court.

****Issues:****

1. ****Procedural Issue:**** Whether New Vision failed to exhaust administrative remedies by not appealing to the Secretary of Justice as required under Section 187 of the Local Government Code.
2. ****Substantive Issue:**** Whether the NTC-issued Certificate of Authority to operate a CATV system constitutes a “franchise,” and thereby subjects New Vision to local franchise tax.

****Court’s Decision:****

****I. Procedural Issue:**** The Court agreed with the lower courts, upholding that New Vision failed to exhaust administrative remedies. Section 187 of the LGC mandates questioning the legality or constitutionality of tax ordinances before the Secretary of Justice within 30 days

from effectivity, which New Vision did not comply with.

****II. Substantive Issue:****

The Supreme Court ruled that the Certificate of Authority issued by the NTC qualifies as a franchise, making New Vision liable for both the franchise tax and the Governor's permit fee under the Provincial Revenue Code. The Court distinguished between legislative franchises (issued by Congress) and administrative franchises (issued by administrative agencies based on delegated powers). The Certificate of Authority granted extensive privileges, including eminent domain—a hallmark of franchises charged with public use.

****Doctrine:****

1. ****Exhaustion of Administrative Remedies:**** Litigants must first utilize all administrative avenues for redress before seeking judicial intervention.
2. ****Definition and Scope of Franchise:**** A franchise, whether legislative or administrative, is a special privilege granted by the government allowing certain business activities, making it subject to local franchise taxes.

****Class Notes:****

- ****Exhaustion of Administrative Remedies:**** Section 187, Local Government Code (RA No. 7160).
- ****Franchise Definition:**** Section 131(m), Local Government Code; recognized in cases such as ABS-CBN Corp. v. NTC and National Power Corp. v. City of Cabanatuan.
- ****Administrative vs. Legislative Franchise:**** Both types of franchises can be taxed; characterized by special privileges and public use authority.
- ****Important Points:**** Franchise taxes apply to privileges granting broader regulatory authority and market exclusivity or public use, differentiating from general business permits.

****Historical Background:****

This case emerges from increased local government efforts to maximize revenue through expanded interpretations of the term “franchise” in local taxation. It demonstrates the complexity of administrative law and its implications on businesses and their obligations within local jurisdictions, amidst regulatory evolutions influenced by legislative adjustments and local governance autonomy under the Local Government Code of 1991.