

Title:

****City of Angeles vs. Angeles City Electric Corporation (AEC), G.R. No. 636 Phil. 43****

Facts:

****Procedural Timeline:****

1. ****Legislative Franchise and Initial Tax Exemption:****

- June 18, 1964: Angeles City Electric Corporation (AEC) granted a franchise under Republic Act No. 4079 to operate an electric power system, with the payment of franchise tax substituting all other taxes.

2. ****Regulation Changes and Continuing Compliance:****

- September 11, 1974: Presidential Decree No. 551 reduced the franchise tax for electric franchise holders to 2% of gross receipts, still in lieu of all other taxes.

- January 1, 1992: Republic Act No. 7160 or the Local Government Code (LGC) was enacted, allowing provinces and cities to impose business franchise taxes.

3. ****Local Ordinance and Subsequent Appeals:****

- December 23, 1993: Angeles City's Revised Revenue Code (RRCAC) enacted.

- February 7, 1994: Metro Angeles Chamber of Commerce and Industry Inc. (MACCI), including AEC, petitioned for a reduction of the RRCAC tax rates, deeming them confiscatory and non-compliant with the LGC.

4. ****Assessment and Payment Compliance:****

- July 1995: AEC started paying local franchise taxes quarterly alongside national franchise taxes to the Bureau of Internal Revenue (BIR).

5. ****Notice of Assessment and Protest:****

- January 22, 2004: City Treasurer issued a Notice of Assessment against AEC for unpaid taxes amounting to P94,861,194.10 for the period 1993-2004.

- AEC protested the assessment, citing its legislative tax exemption, potential double taxation, prescription period lapse, and non-retroactivity doctrine.

6. ****Real Property Levy and Auction Notice:****

- February 17, 2004: City Treasurer denied AEC's protest.

- April 5, 2004: Real properties of AEC levied for public auction set for May 7, 2004.

7. ****Injunction Proceedings:****

- AEC filed a Petition for Declaratory Relief and Motion for Issuance of Temporary

Restraining Order (TRO) with the RTC.

- May 4, 2004: RTC issued TRO.
- May 24, 2004: Preliminary injunction granted.
- August 5, 2004: City of Angeles moved for dissolution of the injunction.
- October 14, 2004: RTC denied the motion for dissolution.

Issues:

****Legal Questions Raised:****

1. ****Prohibition on Injunction:****

- Does the general prohibition against injunctions enjoining the collection of taxes (as seen in National Internal Revenue Code) apply to local taxes under the Local Government Code?

2. ****Grave Abuse of Discretion:****

- Did the RTC commit grave abuse of discretion in issuing the writ of preliminary injunction on levying and selling AEC's properties?

3. ****Prerequisites for Injunction:****

- Did AEC demonstrate a clear legal right and urgent necessity warranting the issuance of the writ of preliminary injunction?

Court's Decision:

****Resolution of Legal Issues:****

1. ****Prohibition on Injunction:****

- The Supreme Court clarified that the prohibition against issuing injunctions to enjoin tax collection in the National Internal Revenue Code does not extend to local taxes. The Local Government Code does not expressly prohibit such injunctions.

2. ****Grave Abuse of Discretion:****

- The RTC did not commit grave abuse of discretion. The Court found that the RTC arrived at its decision after due notice and hearing, allowing both parties to present their arguments. The RTC's action was neither arbitrary nor capricious.

3. ****Prerequisites for Injunction:****

- The RTC found that AEC demonstrated a clear legal right (ownership of properties to be auctioned) and an urgent necessity to prevent irreparable harm, as auctioning the properties would disrupt electric services affecting numerous consumers.

Doctrine:

1. **Non-Applicability of National Tax Collection Injunction Prohibition:**

- The prohibition on issuing injunctions against tax collection under the NIRC does not extend to local taxes unless explicitly stated.

2. **Discretion of RTC in Issuing Preliminary Injunctions:**

- The issuance of a writ is within the discretion of the RTC, requiring a clear legal right and urgent necessity to prevent serious damage.

3. **Grave Abuse of Discretion Standard:**

- Grave abuse of discretion involves arbitrary and despotic exercise of power. Mere abuse is insufficient; the abuse must be patent and gross.

Class Notes:

Key Legal Principles:

1. **Tax Injunctions Difference (National vs. Local):**

- National taxes follow strict prohibitions on injunctions (NIRC, Section 218) unlike local taxes.

2. **Requirements for Preliminary Injunction (Rule 58):**

- Clear legal right to be protected.
- Urgent necessity to prevent grave and irreparable injury.

3. **Grave Abuse of Discretion:**

- Involves arbitrariness and capriciousness, significantly affecting the due process.

Relevant Statutes:

- **NIRC, Section 218:**

- Prohibits injunctions against national tax collection.

- **LGC, Sections 195 & 231:**

- Procedures for local tax assessments and appeals.

- Appeal does not suspend tax collection.

Historical Background:

Context of RA 4079 and PD 551:

- RA 4079 (1964) and PD 551 (1974) created favorable conditions for franchisees in utilities by reducing their tax burden, stimulating infrastructure growth post-independence.

- RA 7160 (1992) represented decentralization efforts in governance allowing local governments fiscal autonomy, tailored for better local administration.

****Historical Note on Taxation and Injunction Practices:****

- Reflects the Philippines' evolving taxation law balancing State's revenue maximization with taxpayer protections, especially amidst economic changes in the post-Martial Law era transitioning into local autonomy under RA 7160.