

ORMOC SUGAR COMPANY, INC., PLAINTIFF-APPELLANT, VS. THE TREASURER OF ORMOC CITY, THE MUNICIPAL BOARD OF ORMOC CITY, HON. ESTEBAN C. CONEJOS, AS MAYOR OF ORMOC CITY AND ORMOC CIT...*G.R. No. L-23794. February 17, 1968*

Ponente: BENGZON, J.P., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/55f6a8cfc1fb/>**BENGZON, J.P., J.:**

On January 29, 1964, the Municipal Board of Ormoc City passed[1] Ordinance No. 4, Series of 1964, imposing "on any and all productions of centrifugal sugar milled at the Ormoc Sugar Company, Inc., in Ormoc City a municipal tax equivalent to one per centum (1%) per export sale to the United States of America and other foreign countries." [2]

Payments for said tax were made, under protest, by Ormoc Sugar Company, Inc. on March 20, 1964 for P7,087.50 and on April 20, 1964 for P5,000, or a total of P12,087.50.

On June 1, 1964, Ormoc Sugar Company, Inc. filed before the Court of First Instance of Leyte, with service of a copy upon the Solicitor General, a complaint[3] against the City of Ormoc as well as its Treasurer, Municipal Board and Mayor, alleging that the afore-stated ordinance is unconstitutional for being violative of the equal protection clause (Sec. 1 [1], Art. III, Constitution) and the rule of uniformity of taxation (Sec. 22[1], Art. VI, Constitution), aside from being an export tax forbidden under Section 2287 of the Revised Administrative Code. It further alleged that the tax is neither a production nor a license tax which Ormoc City under Section 15-kk of its charter and under Section 2 of Republic Act 2264, otherwise known as the Local Autonomy Act; is authorized to impose; and that the tax amounts to a customs duty, fee or charge in violation of paragraph 1 of Section 2 of Republic Act 2264 because the tax is on both the sale and export of sugar.

Answering, the defendants asserted that the tax ordinance was within defendant city's power to enact under the Local Autonomy Act and that the same did not violate the afore-cited constitutional limitations. After pre-trial and submission of the case on memoranda, the Court of First Instance, on August 6, 1964, rendered a decision that upheld the constitutionality of the ordinance and declared the taxing power of defendant chartered city broadened by the Local Autonomy Act to include all other forms of taxes, licenses or fees not excluded in its charter.

Appeal therefrom was directly taken to Us by plaintiff Ormoc Sugar Company, Inc. Appellant alleges the same statutory and constitutional violations in the afore-said taxing ordinance mentioned earlier.

Section 1 of the ordinance states: "There shall be paid to the City Treasurer on any and all productions of centrifugal sugar milled at the Ormoc Sugar Company Incorporated in Ormoc City a municipal tax equivalent to one per centum (1%) per export sale to the United States of America and other foreign countries." Though referred to as a "production tax", the imposition actually amounts to a tax on the export of centrifugal sugar

produced at Ormoc Sugar Company, Inc. For production of sugar alone is not taxable; the only time the tax applies is when the sugar produced is exported.

Appellant questions the authority of the defendant Municipal Board to levy such an export tax, in view of Section 2287 of the Revised Administrative Code which denies from municipal councils the power to impose an export tax. Section 2287 in part states: "It shall not be in the power of the municipal council to impose a tax in any form whatever, upon goods and merchandise carried in-to the municipality, or out of the same, and any attempt to impose an import or export tax upon such, goods in the guise of an unreasonable charge for wharfage, use of bridges or otherwise, shall be void."

Subsequently, however, Section 2 of Republic Act 2264, effective June 19, 1959, gave chartered cities, municipalities and municipal districts authority to levy for public purposes just and uniform taxes, licenses or fees. Anent the inconsistency between Section 2287 of the Revised Administrative Code and Section 2 of Republic Act 2264, this Court, in *Nin Bay Mining Co. v. Municipality of Roxas*,^[4] held the former to have been repealed by the latter. And expressing Our awareness the transcendental effects that municipal export or import taxes or licenses will have on the national economy, due to Section 2 of Republic Act 2264, We stated that there was no other alternative until Congress acts to provide remedial measures to forestall any unfavorable results.

The point remains to be determined, however, whether constitutional limits on the power of taxation, specifically the equal protection clause and rule of uniformity of taxation, were infringed.

The Constitution in the bill of rights provides: "No person shall be denied the equal protection of the laws." (Sec. 1[1], Art. III) In *Felwa v. Salas*,^[5] We ruled that the equal protection clause applies only to persons or things identically situated and does not bar a reasonable classification of the subject of legislation, and a classification is reasonable where (1) it is based on substantial distinctions which make real differences; (2) these are germane to the purpose of the law (3) the classification applies not only to present conditions but also to future conditions which are substantially identical to those of the present; (4) the classification applies only to those who belong to the same class.

A perusal of the requisites instantly shows that the questioned ordinance does not meet them, for it taxes only centrifugal sugar produced and exported by the Ormoc Sugar Company, Inc. and none other. At the time of the taxing ordinance's enactment, Ormoc Sugar Company, Inc., it is true, was the only sugar central in the city of Ormoc. Still the classification, to be reasonable, should be in terms applicable to future conditions as well. The taxing ordinance should not be singular and exclusive to exclude any subsequently established sugar central, of the same class as plaintiff, from the coverage of the tax. As it is now, even if later a similar company is set up, it cannot be subject to the tax because the ordinance expressly points only to Ormoc Sugar Company, Inc. as the entity to be levied upon.

Appellant, however, is not entitled to interest on the refund because the taxes were not arbitrarily collected (*Collector of Internal Revenue v. Binalbagan*).^[6] At the time of collection, the ordinance provided a sufficient basis to preclude arbitrariness, the same being then presumed constitutional until declared otherwise.

WHEREFORE, the decision appealed from is hereby reversed, the challenged ordinance is declared unconstitutional and the defendants-appellees are hereby ordered to refund the P12,087.50 plaintiff-appellant paid under protest. No costs.

SO ORDERED.

Concepcion, C.J, Reyes, J.B.L., Dizon, Makalintal, Zaldivar, Sanchez, Ruiz Castro, Angeles, and Fernando, JJ., concur.

[1] Resolution No. 30, Series of 1964.

[2] Section 1, emphasis supplied.

[3] An action for declaratory judgment was also filed on May 23, 1964 (Civil Case No. 665-0) but this and the present case were tried jointly.

[4] L-20125, July 20, 1965.

[5] L-26511, Oct. 29, 1966.

[6] L-12752, Jan. 30, 1965.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.