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THIRD DIVISION

[G.R. NO. 168557, February 16, 2007]

FELS ENERGY, INC., PETITIONER, VS. THE PROVINCE OF BATANGAS AND THE OFFICE OF THE PROVINCIAL ASSESSOR OF BATANGAS, RESPONDENTS.

[G.R. NO. 170628]

NATIONAL POWER CORPORATION, PETITIONER, VS. LOCAL BOARD OF ASSESSMENT APPEALS OF BATANGAS, LAURO C. ANDAYA, IN HIS CAPACITY AS THE ASSESSOR OF THE PROVINCE OF BATANGAS, AND THE PROVINCE OF BATANGAS REPRESENTED BY ITS PROVINCIAL ASSESSOR, RESPONDENTS.

D E C I S I O N

CALLEJO, SR., J.:

Before us are two consolidated cases docketed as G.R. No. 168557 and G.R. No. 170628, which were filed by petitioners FELS Energy, Inc. (FELS) and National Power Corporation (NPC), respectively. The first is a petition for review on *certiorari* assailing the August 25, 2004 Decision[1] of the Court of Appeals (CA) in CA-G.R. SP No. 67490 and its Resolution[2] dated June 20, 2005; the second, also a petition for review on *certiorari*, challenges the February 9, 2005 Decision[3] and November 23, 2005 Resolution[4] of the CA in CA-G.R. SP No. 67491. Both petitions were dismissed on the ground of prescription.

The pertinent facts are as follows:

On January 18, 1993, NPC entered into a lease contract with Polar Energy, Inc. over 3x30 MW diesel engine power barges moored at Balayan Bay in Calaca, Batangas. The contract, denominated as an Energy Conversion Agreement[5] (Agreement), was for a period of five years. Article 10 reads:

> 10.1 **RESPONSIBILITY. NAPOCOR** shall be responsible for the payment of (a) all taxes, import duties, fees, charges and other levies imposed by the National Government of the Republic of the Philippines or any agency or instrumentality thereof to which **POLAR** may be or become subject to or in relation to the performance of their obligations under this agreement (other than (i) taxes imposed or calculated on the basis of the net income of **POLAR** and Personal Income Taxes of its employees and (ii) construction permit fees, environmental permit fees and other similar fees and charges) and (b) all real estate taxes and assessments, rates and other charges in respect of the Power Barges.[6]

Subsequently, Polar Energy, Inc. assigned its rights under the Agreement to FELS. The NPC initially opposed the assignment of rights, citing paragraph 17.2 of Article 17 of the Agreement.

On August 7, 1995, FELS received an assessment of real property taxes on the power barges from Provincial Assessor Lauro C. Andaya of Batangas City. The assessed tax, which likewise covered those due for 1994, amounted to P56,184,088.40 per annum. FELS referred the matter to NPC, reminding it of its obligation under the Agreement to pay all real estate taxes. It then gave NPC the full power and authority to represent it in any conference regarding the real property assessment of the Provincial Assessor.

In a letter[7] dated September 7, 1995, NPC sought reconsideration of the Provincial Assessor's decision to assess real property taxes on the power barges. However, the motion was denied on September 22, 1995, and the Provincial Assessor advised NPC to pay the assessment.[8] This prompted NPC to file a petition with the Local Board of Assessment Appeals (LBAA) for the setting aside of the assessment and the declaration of the barges as non-taxable items; it also prayed that should LBAA find the barges to be taxable, the Provincial Assessor be directed to make the necessary corrections.[9]

In its Answer to the petition, the Provincial Assessor averred that the barges were real property for purposes of taxation under Section 199(c) of Republic Act (R.A.) No. 7160.

Before the case was decided by the LBAA, NPC filed a Manifestation, informing the LBAA that the Department of Finance (DOF) had rendered an opinion[10] dated May 20, 1996, where it is clearly stated that power barges are not real property subject to real property assessment.

On August 26, 1996, the LBAA rendered a Resolution[11] denying the petition. The *fallo* reads:

> WHEREFORE, the Petition is DENIED. FELS is hereby ordered to pay the real estate tax in the amount of P56,184,088.40, for the year 1994.
>
> SO ORDERED.[12]

The LBAA ruled that the power plant facilities, while they may be classified as movable or personal property, are nevertheless considered real property for taxation purposes because they are installed at a specific location with a character of permanency. The LBAA also pointed out that the owner of the barges–FELS, a private corporation–is the one being taxed, not NPC. A mere agreement making NPC responsible for the payment of all real estate taxes and assessments will not justify the exemption of FELS; such a privilege can only be granted to NPC and cannot be extended to FELS. Finally, the LBAA also ruled that the petition was filed out of time.

Aggrieved, FELS appealed the LBAA's ruling to the Central Board of Assessment Appeals (CBAA).

On August 28, 1996, the Provincial Treasurer of Batangas City issued a Notice of Levy and Warrant by Distraint[13] over the power barges, seeking to collect real property taxes amounting to P232,602,125.91 as of July 31, 1996. The notice and warrant was officially served to FELS on November 8, 1996. It then filed a Motion to Lift Levy dated November 14, 1996, praying that the Provincial Assessor be further restrained by the CBAA from enforcing the disputed assessment during the pendency of the appeal.

On November 15, 1996, the CBAA issued an Order[14] lifting the levy and distraint on the properties of FELS in order not to preempt and render ineffectual, nugatory and illusory any resolution or judgment which the Board would issue.

Meantime, the NPC filed a Motion for Intervention[15] dated August 7, 1998 in the proceedings before the CBAA. This was approved by the CBAA in an Order[16] dated September 22, 1998.

During the pendency of the case, both FELS and NPC filed several motions to admit bond to guarantee the payment of real property taxes assessed by the Provincial Assessor (in the event that the judgment be unfavorable to them). The bonds were duly approved by the CBAA.

On April 6, 2000, the CBAA rendered a Decision[17] finding the power barges exempt from real property tax. The dispositive portion reads:

> WHEREFORE, the Resolution of the Local Board of Assessment Appeals of

> the Province of Batangas is hereby reversed. Respondent-appellee Provincial Assessor of the Province of Batangas is hereby ordered to drop subject property under ARP/Tax Declaration No. 018-00958 from the List of Taxable Properties in the Assessment Roll. The Provincial Treasurer of Batangas is hereby directed to act accordingly.
>
> SO ORDERED.[18]

Ruling in favor of FELS and NPC, the CBAA reasoned that the power barges belong to NPC; since they are actually, directly and exclusively used by it, the power barges are covered by the exemptions under Section 234(c) of R.A. No. 7160.[19] As to the other jurisdictional issue, the CBAA ruled that prescription did not preclude the NPC from pursuing its claim for tax exemption in accordance with Section 206 of R.A. No. 7160. The Provincial Assessor filed a motion for reconsideration, which was opposed by FELS and NPC.

In a complete *volte face*, the CBAA issued a Resolution[20] on July 31, 2001 reversing its earlier decision. The *fallo* of the resolution reads:

> WHEREFORE, premises considered, it is the resolution of this Board that:
>
> (a) The decision of the Board dated 6 April 2000 is hereby reversed.
>
> (b) The petition of FELS, as well as the intervention of NPC, is dismissed.
>
> (c) The resolution of the Local Board of Assessment Appeals of Batangas is hereby affirmed,
>
> (d) The real property tax assessment on FELS by the Provincial Assessor of Batangas is likewise hereby affirmed.
>
> SO ORDERED.[21]

FELS and NPC filed separate motions for reconsideration, which were timely opposed by the Provincial Assessor. The CBAA denied the said motions in a Resolution[22] dated October 19, 2001.

Dissatisfied, FELS filed a petition for review before the CA docketed as CA-G.R. SP No. 67490. Meanwhile, NPC filed a separate petition, docketed as CA-G.R. SP No. 67491.

On January 17, 2002, NPC filed a Manifestation/Motion for Consolidation in CA-G.R. SP

No. 67490 praying for the consolidation of its petition with CA-G.R. SP No. 67491. In a Resolution[23] dated February 12, 2002, the appellate court directed NPC to re-file its motion for consolidation with CA-G.R. SP No. 67491, since it is the *ponente* of the latter petition who should resolve the request for reconsideration.

NPC failed to comply with the aforesaid resolution. On August 25, 2004, the Twelfth Division of the appellate court rendered judgment in CA-G.R. SP No. 67490 denying the petition on the ground of prescription. The decretal portion of the decision reads:

> ***WHEREFORE***, the petition for review is ***DENIED*** for lack of merit and the assailed Resolutions dated July 31, 2001 and October 19, 2001 of the Central Board of Assessment Appeals are ***AFFIRMED***.
>
> ***SO ORDERED.***[24]

On September 20, 2004, FELS timely filed a motion for reconsideration seeking the reversal of the appellate court's decision in CA-G.R. SP No. 67490.

Thereafter, NPC filed a petition for review dated October 19, 2004 before this Court, docketed as G.R. No. 165113, assailing the appellate court's decision in CA-G.R. SP No. 67490. The petition was, however, denied in this Court's Resolution[25] of November 8, 2004, for NPC's failure to sufficiently show that the CA committed any reversible error in the challenged decision. NPC filed a motion for reconsideration, which the Court denied with finality in a Resolution[26] dated January 19, 2005.

Meantime, the appellate court dismissed the petition in CA-G.R. SP No. 67491. It held that the right to question the assessment of the Provincial Assessor had already prescribed upon the failure of FELS to appeal the disputed assessment to the LBAA within the period prescribed by law. Since FELS had lost the right to question the assessment, the right of the Provincial Government to collect the tax was already absolute.

NPC filed a motion for reconsideration dated March 8, 2005, seeking reconsideration of the February 5, 2005 ruling of the CA in CA-G.R. SP No. 67491. The motion was denied in a Resolution[27] dated November 23, 2005.

The motion for reconsideration filed by FELS in CA-G.R. SP No. 67490 had been earlier denied for lack of merit in a Resolution[28] dated June 20, 2005.

On August 3, 2005, FELS filed the petition docketed as G.R. No. 168557 before this Court, raising the following issues:

A.

Whether power barges, which are floating and movable, are personal properties and therefore, not subject to real property tax.

B.

Assuming that the subject power barges are real properties, whether they are exempt from real estate tax under Section 234 of the Local Government Code ("LGC").

C.

Assuming arguendo that the subject power barges are subject to real estate tax, whether or not it should be NPC which should be made to pay the same under the law.

D.

Assuming arguendo that the subject power barges are real properties, whether or not the same is subject to depreciation just like any other personal properties.

E.

Whether the right of the petitioner to question the patently null and void real property tax assessment on the petitioner's personal properties is imprescriptible.[29]

On January 13, 2006, NPC filed its own petition for review before this Court (G.R. No. 170628), indicating the following errors committed by the CA:

I

THE COURT OF APPEALS GRAVELY ERRED IN HOLDING THAT THE APPEAL TO THE LBAA WAS FILED OUT OF TIME.

II

THE COURT OF APPEALS GRAVELY ERRED IN NOT HOLDING THAT THE POWER BARGES ARE NOT SUBJECT TO REAL PROPERTY TAXES.

III

THE COURT OF APPEALS GRAVELY ERRED IN NOT HOLDING THAT THE ASSESSMENT ON THE POWER BARGES WAS NOT MADE IN ACCORDANCE WITH LAW.[30]

Considering that the factual antecedents of both cases are similar, the Court ordered the consolidation of the two cases in a Resolution[31] dated March 8, 2006.

In an earlier Resolution dated February 1, 2006, the Court had required the parties to submit their respective Memoranda within 30 days from notice. Almost a year passe but the parties had not submitted their respective memoranda. Considering that taxes—the lifeblood of our economy—are involved in the present controversy, the Court was prompted to dispense with the said pleadings, with the end view of advancing the interests of justice and avoiding further delay.

In both petitions, FELS and NPC maintain that the appeal before the LBAA was not time-barred. FELS argues that when NPC moved to have the assessment reconsidered on September 7, 1995, the running of the period to file an appeal with the LBAA was tolled. For its part, NPC posits that the 60-day period for appealing to the LBAA should be reckoned from its receipt of the denial of its motion for reconsideration.

Petitioners' contentions are bereft of merit.

Section 226 of R.A. No. 7160, otherwise known as the Local Government Code of 1991, provides:

> **SECTION 226.** ***Local Board of Assessment Appeals.*** – Any owner or person having legal interest in the property who is not satisfied with the action of the provincial, city or municipal assessor in the assessment of his property may, within sixty (60) days from the date of receipt of the written notice of assessment, appeal to the Board of Assessment Appeals of the province or city by filing a petition under oath in the form prescribed for the purpose, together with copies of the tax declarations and such affidavits or documents submitted in support of the appeal.

We note that the notice of assessment which the Provincial Assessor sent to FELS on August 7, 1995, contained the following statement:

> If you are *not satisfied* with this assessment, you may, *within sixty (60) days from the date of receipt hereof, appeal to the Board of Assessment Appeals* of the province by filing a petition under oath on the form prescribed for the purpose, together with copies of ARP/Tax Declaration and such affidavits or documents submitted in support of the appeal.[32]

Instead of appealing to the Board of Assessment Appeals (as stated in the notice), NPC opted to file a motion for reconsideration of the Provincial Assessor's decision, a remedy not sanctioned by law.

The remedy of appeal to the LBAA is available from an adverse ruling or action of the provincial, city or municipal assessor in the assessment of the property. It follows then that the determination made by the respondent Provincial Assessor with regard to the taxability

of the subject real properties falls within its power to assess properties for taxation purposes subject to appeal before the LBAA.[33]

We fully agree with the rationalization of the CA in both CA-G.R. SP No. 67490 and CA-G.R. SP No. 67491. The two divisions of the appellate court cited the case of *Callanta v. Office of the Ombudsman*,[34] where we ruled that under Section 226 of R.A. No 7160,[35] the last action of the local assessor on a particular assessment shall be the notice of assessment; it is this *last action* which gives the owner of the property the right to appeal to the LBAA. The procedure likewise does not permit the property owner the remedy of filing a motion for reconsideration before the local assessor. The pertinent holding of the Court in *Callanta* is as follows:

> x x x [T]he same Code is equally clear that the aggrieved owners should have brought their appeals before the LBAA. Unfortunately, despite the advice to this effect contained in their respective notices of assessment, the owners chose to bring their requests for a review/readjustment before the city assessor, a remedy not sanctioned by the law. To allow this procedure would indeed invite corruption in the system of appraisal and assessment. It conveniently courts a graft-prone situation where values of real property may be initially set unreasonably high, and then subsequently reduced upon the request of a property owner. In the latter instance, allusions of a possible covert, illicit trade-off cannot be avoided, and in fact can conveniently take place. Such occasion for mischief must be prevented and excised from our system.[36]

For its part, the appellate court declared in CA-G.R. SP No. 67491:

> x x x. The Court announces: *Henceforth, whenever the local assessor sends a notice to the owner or lawful possessor of real property of its revised assessed value, the former shall no longer have any jurisdiction to entertain any request for a review or readjustment. The appropriate forum where the aggrieved party may bring his appeal is the LBAA as provided by law*. It follows ineluctably that the 60-day period for making the appeal to the LBAA runs without interruption. This is what We held in SP 67490 and reaffirm today in SP 67491.[37]

To reiterate, if the taxpayer fails to appeal in due course, the right of the local government to collect the taxes due with respect to the taxpayer's property becomes absolute upon the expiration of the period to appeal.[38] It also bears stressing that the taxpayer's failure to question the assessment in the LBAA renders the assessment of the local assessor final, executory and demandable, thus, precluding the taxpayer from questioning the correctness of the assessment, or from invoking any defense that would reopen the question of its liability on the merits.[39]

In fine, the LBAA acted correctly when it dismissed the petitioners' appeal for having been filed out of time; the CBAA and the appellate court were likewise correct in affirming the dismissal. Elementary is the rule that the perfection of an appeal within the period therefor is both mandatory and jurisdictional, and failure in this regard renders the decision final and executory.[40]

In the Comment filed by the Provincial Assessor, it is asserted that the instant petition is barred by *res judicata*; that the final and executory judgment in G.R. No. 165113 (where there was a final determination on the issue of prescription), effectively precludes the claims herein; and that the filing of the instant petition after an adverse judgment in G.R. No. 165113 constitutes forum shopping.

FELS maintains that the argument of the Provincial Assessor is completely misplaced since it was not a party to the erroneous petition which the NPC filed in G.R. No. 165113. It avers that it did not participate in the aforesaid proceeding, and the Supreme Court never acquired jurisdiction over it. As to the issue of forum shopping, petitioner claims that no forum shopping could have been committed since the elements of *litis pendentia* or *res judicata* are not present.

We do not agree.

Res judicata pervades every organized system of jurisprudence and is founded upon two grounds embodied in various maxims of common law, namely: (1) public policy and necessity, which makes it to the interest of the State that there should be an end to litigation – *republicae ut sit litium*; and (2) the hardship on the individual of being vexed twice for the same cause – *nemo debet bis vexari et eadem causa*. A conflicting doctrine would subject the public peace and quiet to the will and dereliction of individuals and prefer the regalement of the litigious disposition on the part of suitors to the preservation of the public tranquility and happiness.[41] As we ruled in *Heirs of Trinidad De Leon Vda. de Roxas v. Court of Appeals*:[42]

> x x x An existing final judgment or decree – rendered upon the merits, without fraud or collusion, by a court of competent jurisdiction acting upon a matter within its authority – is conclusive on the rights of the parties and their privies. This ruling holds in all other actions or suits, in the same or any other judicial tribunal of concurrent jurisdiction, touching on the points or matters in issue in the first suit.
>
> x x x
>
> Courts will simply refuse to reopen what has been decided. They will not allow

> the same parties or their privies to litigate anew a question once it has been considered and decided with finality. Litigations must end and terminate sometime and somewhere. The effective and efficient administration of justice requires that once a judgment has become final, the prevailing party should not be deprived of the fruits of the verdict by subsequent suits on the same issues filed by the same parties.
>
> This is in accordance with the doctrine of *res judicata* which has the following elements: (1) the former judgment must be final; (2) the court which rendered it had jurisdiction over the subject matter and the parties; (3) the judgment must be on the merits; and (4) there must be between the first and the second actions, identity of parties, subject matter and causes of action. **The application of the doctrine of *res judicata* does not require absolute identity of parties but merely substantial identity of parties. There is substantial identity of parties when there is community of interest or privity of interest between a party in the first and a party in the second case even if the first case did not implead the latter.**[43]

To recall, FELS gave NPC the full power and authority *to represent it in any proceeding regarding real property assessment*. Therefore, when petitioner NPC filed its petition for review docketed as G.R. No. 165113, it did so not only on its behalf but also on behalf of FELS. Moreover, the assailed decision in the earlier petition for review filed in this Court was the decision of the appellate court in CA-G.R. SP No. 67490, in which FELS was the petitioner. Thus, the decision in G.R. No. 165116 is binding on petitioner FELS under the principle of privity of interest. In fine, FELS and NPC are substantially "identical parties" as to warrant the application of *res judicata*. FELS's argument that it is not bound by the erroneous petition filed by NPC is thus unavailing.

On the issue of forum shopping, we rule for the Provincial Assessor. Forum shopping exists when, as a result of an adverse judgment in one forum, a party seeks another and possibly favorable judgment in another forum other than by appeal or special civil action or *certiorari*. There is also forum shopping when a party institutes two or more actions or proceedings grounded on the same cause, on the gamble that one or the other court would make a favorable disposition.[44]

Petitioner FELS alleges that there is no forum shopping since the elements of *res judicata* are not present in the cases at bar; however, as already discussed, *res judicata* may be properly applied herein. Petitioners engaged in forum shopping when they filed G.R. Nos. 168557 and 170628 after the petition for review in G.R. No. 165116. Indeed, petitioners went from one court to another trying to get a favorable decision from one of the tribunals which allowed them to pursue their cases.

It must be stressed that an important factor in determining the existence of forum shopping is the vexation caused to the courts and the parties-litigants by the filing of similar cases to claim substantially the same reliefs.[45] The rationale against forum shopping is that a party should not be allowed to pursue simultaneous remedies in two different *fora*. Filing multiple petitions or complaints constitutes abuse of court processes, which tends to degrade the administration of justice, wreaks havoc upon orderly judicial procedure, and adds to the congestion of the heavily burdened dockets of the courts.[46]

Thus, there is forum shopping when there exist: (a) identity of parties, or at least such parties as represent the same interests in both actions, (b) identity of rights asserted and relief prayed for, the relief being founded on the same facts, and (c) the identity of the two preceding particulars is such that any judgment rendered in the pending case, regardless of which party is successful, would amount to *res judicata* in the other.[47]

Having found that the elements of *res judicata* and forum shopping are present in the consolidated cases, a discussion of the other issues is no longer necessary. Nevertheless, for the peace and contentment of petitioners, we shall shed light on the merits of the case.

As found by the appellate court, the CBAA and LBAA power barges are real property and are thus subject to real property tax. This is also the inevitable conclusion, considering that G.R. No. 165113 was dismissed for failure to sufficiently show any reversible error. Tax assessments by tax examiners are presumed correct and made in good faith, with the taxpayer having the burden of proving otherwise.[48] Besides, factual findings of administrative bodies, which have acquired expertise in their field, are generally binding and conclusive upon the Court; we will not assume to interfere with the sensible exercise of the judgment of men especially trained in appraising property. Where the judicial mind is left in doubt, it is a sound policy to leave the assessment undisturbed.[49] We find no reason to depart from this rule in this case.

In *Consolidated Edison Company of New York, Inc., et al. v. The City of New York, et al.*,[50] a power company brought an action to review property tax assessment. On the city's motion to dismiss, the Supreme Court of New York held that the barges on which were mounted gas turbine power plants designated to generate electrical power, the fuel oil barges which supplied fuel oil to the power plant barges, and the accessory equipment mounted on the barges were subject to real property taxation.

Moreover, Article 415 (9) of the New Civil Code provides that "[d]ocks and structures which, though floating, are intended by their nature and object to remain at a fixed place on a river, lake, or coast" are considered immovable property. Thus, power barges are categorized as *immovable property by destination*, being in the nature of machinery and

other implements intended by the owner for an industry or work which may be carried on in a building or on a piece of land and which tend directly to meet the needs of said industry or work.[51]

Petitioners maintain nevertheless that the power barges are exempt from real estate tax under Section 234 (c) of R.A. No. 7160 because they are actually, directly and exclusively used by petitioner NPC, a government- owned and controlled corporation engaged in the supply, generation, and transmission of electric power.

We affirm the findings of the LBAA and CBAA that the owner of the taxable properties is petitioner FELS, which in fine, is the entity being taxed by the local government. As stipulated under Section 2.11, Article 2 of the Agreement:

> **OWNERSHIP OF POWER BARGES.** POLAR shall own the Power Barges and all the fixtures, fittings, machinery and equipment on the Site used in connection with the Power Barges which have been supplied by it at its own cost. POLAR shall operate, manage and maintain the Power Barges for the purpose of converting Fuel of NAPOCOR into electricity.[52]

It follows then that FELS cannot escape liability from the payment of realty taxes by invoking its exemption in Section 234 (c) of R.A. No. 7160, which reads:

> SECTION 234. ***Exemptions from Real Property Tax.*** – The following are exempted from payment of the real property tax:
>
> x x x
>
> (c) All machineries and equipment that are actually, directly and exclusively used by local water districts and government-owned or controlled corporations engaged in the supply and distribution of water and/or generation and transmission of electric power; x x x

Indeed, the law states that the machinery must be actually, directly and exclusively used by the government owned or controlled corporation; nevertheless, petitioner FELS still cannot find solace in this provision because Section 5.5, Article 5 of the Agreement provides:

> **OPERATION.** POLAR undertakes that until the end of the Lease Period, subject to the supply of the necessary Fuel pursuant to Article 6 and to the other provisions hereof, **it will operate the Power Barges** to convert such Fuel into electricity in accordance with Part A of Article 7.[53]

It is a basic rule that obligations arising from a contract have the force of law between the

parties. Not being contrary to law, morals, good customs, public order or public policy, the parties to the contract are bound by its terms and conditions.[54]

Time and again, the Supreme Court has stated that taxation is the rule and exemption is the exception.[55] The law does not look with favor on tax exemptions and the entity that would seek to be thus privileged must justify it by words too plain to be mistaken and too categorical to be misinterpreted.[56] Thus, applying the rule of strict construction of laws granting tax exemptions, and the rule that doubts should be resolved in favor of provincial corporations, we hold that FELS is considered a taxable entity.

The mere undertaking of petitioner NPC under Section 10.1 of the Agreement, that it shall be responsible for the payment of all real estate taxes and assessments, does not justify the exemption. The privilege granted to petitioner NPC cannot be extended to FELS. The covenant is between FELS and NPC and does not bind a third person not privy thereto, in this case, the Province of Batangas.

It must be pointed out that the protracted and circuitous litigation has seriously resulted in the local government's deprivation of revenues. The power to tax is an incident of sovereignty and is unlimited in its magnitude, acknowledging in its very nature no perimeter so that security against its abuse is to be found only in the responsibility of the legislature which imposes the tax on the constituency who are to pay for it.[57] The right of local government units to collect taxes due must always be upheld to avoid severe tax erosion. This consideration is consistent with the State policy to guarantee the autonomy of local governments[58] and the objective of the Local Government Code that they enjoy genuine and meaningful local autonomy to empower them to achieve their fullest development as self-reliant communities and make them effective partners in the attainment of national goals.[59]

In conclusion, we reiterate that the power to tax is the most potent instrument to raise the needed revenues to finance and support myriad activities of the local government units for the delivery of basic services essential to the promotion of the general welfare and the enhancement of peace, progress, and prosperity of the people.[60]

WHEREFORE, the Petitions are **DENIED** and the assailed Decisions and Resolutions **AFFIRMED**.

SO ORDERED.

Ynares-Santiago, Austria-Martinez, and *Chico-Nazario, JJ.,* concur.

[1] Penned by Associate Justice Marina L. Buzon, with Associate Justices Mario L. Guariña III and Santiago Javier Ranada (retired), concurring; *rollo* (G.R. No. 168557), pp. 103-116.

[2] Penned by Associate Justice Marina L. Buzon, with Associate Justices Mario L. Guariña III and Santiago Javier Ranada; concurring; id. at 118-120.

[3] Penned by Associate Justice Mario L. Guariña III, with Associate Justices Marina L. Buzon and Santiago Javier Ranada; concurring; *rollo* (G.R. No. 170628), pp. 59-64.

[4] Penned by Associate Justice Mario L. Guariña III, with Associate Justices Marina L. Buzon and Santiago Javier Ranada; concurring; id. at 65.

[5] *Rollo* (G.R. No. 168557), pp. 121-245.

[6] Id. at 155.

[7] Id. at 249-250.

[8] Id. at 253-255.

[9] *Rollo* (G.R. No. 168557), pp. 256-267.

[10] Id. at 286-288.

[11] Id. at 289-294.

[12] Id. at 294.

[13] *Rollo* (G.R. No. 170628), pp. 122-124.

[14] Id. at 129.

[15] *Rollo* (G.R. No. 168557), pp. 364-369.

[16] Id. at 370-372.

[17] Id. at 383-394.

[18] Id. at 394.

[19] Otherwise known as the "Local Government Code of 1991."

[20] *Rollo* (G.R. No. 168557), pp. 425-431.

[21] Id. at 430-431.

[22] Id. at 478.

[23] CA *Rollo* (CA-G.R. SP No. 67490), p. 422.

[24] *Rollo* (G.R. No. 168557), pp. 49-50.

[25] Id. at 605.

[26] Id. at 606.

[27] *Rollo* (G.R. No. 170628), p. 65.

[28] *Rollo* (G.R. No. 168557), pp. 23-25.

[29] Id. at 61.

[30] *Rollo* (G.R. No. 170628), pp. 18-19.

[31] *Rollo* (G.R. No. 168557), p. 637.

[32] Id. at 246 (Italics supplied).

[33] *Systems Plus Computer College of Caloocan City v. Local Government of Caloocan City*, 455 Phil. 956, 962-963 (2003).

[34] G.R. Nos. 115253-74, January 30, 1998, 285 SCRA 648.

[35] Formerly Section 30 of The Real Property Tax Code.

[36] *Callanta v. Office of the Ombudsman*, supra note 33, at 661-662.

[37] *Rollo* (G.R. No. 170628), pp. 62-63.

[38] *Manila Electric Company v. Barlis*, G. R. No. 114231, June 29, 2004, 433 SCRA 11, 32.

[39] Id. at 32-33.

[40] See *Borja Estate v. Ballad*, G.R. No. 152550, June 8, 2005, 459 SCRA 657, 668, 670.

[41] *Cruz v. Court of Appeals*, G.R. No. 164797, February 13, 2006, 482 SCRA 379, 395, citing *Heirs of the Late Faustina Adalid v. Court of Appeals*, 459 SCRA 27, 41 (2005).

[42] G.R. No. 138660, February 5, 2004, 422 SCRA 101.

[43] Id. at 116.

[44] *Municipality of Taguig v. Court of Appeals*, G.R. No. 142619, September 13, 2005, 469 SCRA 588, 594-595.

[45] *Foronda v. Guerrero*, Adm. Case No. 5469, August 10, 2004, 436 SCRA 9, 23.

[46] *Wee v. Galvez*, G.R. No. 147394, August 11, 2004, 436 SCRA 96, 108-109.

[47] *Hongkong and Shanghai Banking Corporation Limited v. Catalan*, G.R. Nos. 159590 and 159591, October 18, 2004, 440 SCRA 498, 513-514.

[48] *Commissioner of Internal Revenue v. Hantex Trading Co., Inc.*, G.R. No. 136975, March 31, 2005, 454 SCRA 301, 329.

[49] *Cagayan Robina Sugar Milling Co. v. Court of Appeals*, 396 Phil. 830, 840 (2000).

[50] 80 Misc.2d 1065 (1975).

[51] J. Vitug, CIVIL LAW VOLUME II, PROPERTY, OWNERSHIP, AND ITS MODIFICATIONS, 3-4 (2003).

[52] *Rollo* (G.R. No. 168557), p. 135.

[53] Id. at 142. (Emphasis supplied)

[54] *L & L Lawrence Footwear, Inc. v. PCI Leasing and Finance Corporation*, G.R. No. 160531, August 30, 2005, 468 SCRA 393, 402.

[55] *Commissioner of Internal Revenue v. Philippine Long Distance Telephone Company*, G.R. No. 140230, December 15, 2005, 478 SCRA 61, 74.

[56] *Republic v. City of Kidapawan*, G.R. No. 166651, December 9, 2005, 477 SCRA 324, 335, citing *Sea-Land Service, Inc. v. Court of Appeals*, 357 SCRA 441, 444 (2001).

[57] *Mactan Cebu International Airport Authority v. Marcos*, G.R. No. 120082, September 11, 1996, 261 SCRA 667, 679.

[58] CONSTITUTION, Section 25, Article II, and Section 2, Article X.

[59] Republic Act No. 7160, Section 2(a).

[60] *Mactan Cebu International Airport Authority v. Marcos*, supra note 56, at 690.
