REPUBLIC OF THE PHILIPPINES
Court of Tax Appeals
QUEZON CITY

SPECIAL SECOND DIVISION

NATIONAL TRANSMISSION CORPORATION, Petitioner,	**CTA AC NO. 298** *Present:*
vs.	**RINGPIS-LIBAN**, *P.J. & Chairperson,* **MODESTO-SAN PEDRO**, and **FERRER-FLORES**, *JJ.*
PROVINCE OF DAVAO DEL NORTE, REPRESENTED BY ITS PROVINCIAL TREASURER MS. REGINA RICAFORT AND PROVINCE OF COMPOSTELA VALLEY, REPRESENTED BY ITS PROVINCIAL TREASURER MS. CARMEN RAZUL, Respondents.	Promulgated: APR 10 2026

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RESOLUTION

FERRER-FLORES, J.:

Before this Court is respondent Province of Davao Del Norte's **Motion for Reconsideration (Re: Decision Dated October 15, 2025)** filed via registered mail on November 25, 2025, and received by the Court on December 3, 2025, with petitioner's **Comment/Opposition (to Respondent Province of Davao del Norte's 25 November 2025 Motion for Reconsideration)** filed via registered mail on December 15, 2025, and received by the Court on December 18, 2025.

To recall, on October 15, 2025, this Court promulgated a Decision setting aside the Decision dated January 18, 2023 and Order dated May 12, 2023 rendered by the Regional Trial Court (RTC) – Branch 1 of Tagum City, Davao del Norte, in Civil Case No. 4135, finding that the local franchise taxes imposed by respondent Province of Davao Del Norte against petitioner for calendar years 2003 to 2008 were unwarranted, the dispositive portion of which reads as follows:

> **WHEREFORE**, in light of the foregoing considerations, the *Petition for Review* is **PARTIALLY GRANTED**.
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> Accordingly, the assailed Decision dated January 18, 2023 and the Order dated May 12, 2023, both rendered by the RTC- Branch 1, Tagum City, Davao del Norte in Civil Case No. 4135, is hereby **REVERSED** and **SET ASIDE**, but only insofar as it ordered petitioner to pay local franchise taxes for the years 2003 to 2008 in the total amount of ₱408,620.30, with interest at the legal rate of six percent (6%) per annum.
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> **SO ORDERED**.

In its *Motion*, respondent Province of Davao Del Norte seeks reconsideration of the above Decision by arguing that the Court erred in ruling that petitioner did not exercise its legislative franchise within Davao Del Norte; and, that the Court misapplied the case of *City of Iriga v. Camarines Sur III Electric Cooperative, Inc. (CASURECO III)*[1] (City of Iriga), in concluding that petitioner is not subject to local franchise tax imposed by respondent Province of Davao Del Norte.

As to the *first* argument, respondent Province of Davao Del Norte asserts that the Court erroneously concluded that petitioner's franchise was not exercised within the province of Davao Del Norte simply because the entity to which it transmitted electricity to, Davao del Norte Electric Cooperative, Inc. (DANECO), has its principal office in Davao De Oro (formerly Compostela Valley) province. Respondent Province of Davao Del Norte expounds that the said conclusion ignores the operational reality that the physical act of transmitting electricity to DANECO necessarily passes through, and is supported by, transmission facilities located squarely within the territorial boundaries of Davao Del Norte—which constitutes actual and direct exercise of a franchise. As such, respondent Province of Davao Del Norte maintains that franchise operations are not defined by the address of the customer but by the location of activities, facilities, and infrastructure indispensable to the franchise.

Moreover, respondent Province of Davao Del Norte also contends that subsequent distribution of the electricity by DANECO is irrelevant in determining petitioner's franchise tax liability since the latter's transmission activities occur before and independently of DANECO's distribution function. Respondent Province of Davao Del Norte insists that the presence of an intermediary utility, DANECO, cannot shield petitioner from the reach of a valid local franchise tax. Lastly, respondent Province of Davao Del Norte points out that petitioner's gross receipts are properly sourced, at least in part,

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[1] G.R. No. 192945, September 5, 2012.

within Davao Del Norte, thereby establishing a clear tax situs for the franchise tax.

As to the *second* argument, respondent Province of Davao Del Norte asserts that the Court erred in applying *City of Iriga* since the factual milieu of the present case is fundamentally different in both factual context and legal parameters. Respondent Province of Davao Del Norte explains that petitioner's operations are not distribution activities but transmission operation conducted through nationwide transmission of assets, some of which are located in Davao Del Norte. As such, respondent Province of Davao Del Norte reiterates that petitioner is liable for franchise taxes in every locality where it conducts its transmission activities, regardless of the location of the recipient distribution utility.

On the other hand, in its *Comment*, petitioner maintains that respondent Province of Davao Del Norte has no tax situs over its operation. Petitioner asserts that it has no power customer within respondent's territory since its customer is DANECO, which is located in the City of Digos and outside the province of Davao Del Norte. Petitioner emphasizes the ruling of the Court that respondent Province of Davao Del Norte cannot impose local franchise tax on its gross receipts from DANECO or any portion thereof, absent proof that petitioner's principal office is situated in the province of Davao Del Norte. As held by the Supreme Court in *City of Iriga*, the situs of the franchise is where the privilege of a franchise is being exercised which is the principal office where an entity operates. Lastly, petitioner claims that respondent Province of Davao Del Norte's power to tax as a local government unit must be subject to the limitations imposed by law.

After due consideration, the Court finds respondent Province of Davao Del Norte's *Motion for Reconsideration* bereft of merit.

In the case of *National Power Corporation v. City of Cabanatuan*,[2] the Supreme Court held that to determine whether a franchise tax may be levied on a taxpayer, the following requisites should concur, viz.: (1) that petitioner has a "franchise" in the sense of a secondary or special franchise; and, (2) that it is exercising its rights or privileges under this franchise within the territory of the respondent city government.

2 G.R. No. 149110, April 9, 2003.

To reiterate, petitioner is a government instrumentality created pursuant to Republic Act (R.A.) No. 9136,[3] otherwise known as the *Electric Power Industry Reform Act of 2001* (EPIRA). It is a government-owned and controlled corporation created to continue the transmission and sub-transmission functions of the National Power Corporation (NPC).[4] Specifically, NPC's transmission and sub-transmission facilities and all other assets related to the transmission operations, including the NPC's nationwide franchise for the operation of the transmission system and grid, are all transferred to petitioner under the law. In other words, only the right or privilege to transmit and sub-transmit electricity was granted to petitioner and, based on the provisions of R.A. No. 9136, petitioner has no *distribution* function.

The business involving ***transmission*** of electricity is different from the business relating to the ***distribution*** thereof. To be sure, the *transmission* of electricity refers to the conveyance of electricity through the high voltage backbone system; while the *distribution* of electricity refers to the conveyance of electric power through a distribution system, which, in turn, refers to the system of wires and associated facilities belonging to a franchised distribution utility extending between the delivery points on the transmission or sub-transmission system or generator connection and the point of connection to the premises of the end-user. While the conveyance of electricity is continuous until it reaches the end-user or consumer, the functions of transmission and distribution is distinguishable, and may be performed by different players.

Herein, it is clear that the privilege granted by the government to petitioner is limited only to the transmission and sub-transmission of electricity, it will or should not extend to the *"business of electric power distribution"*, which in this case, is shown to have been exercised by DANECO.

Hence, the only point of contention now is whether petitioner exercised its franchise within the territorial jurisdiction of respondent Province of Davao Del Norte when it supplied power to DANECO.

The Court still finds the Supreme Court's disquisition in *City of Iriga*[5] enlightening. In the said case, the Supreme Court applied the principles laid

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[3] "AN ACT ORDAINING REFORMS IN THE ELECTRIC POWER INDUSTRY, AMENDING FOR THE PURPOSE CERTAIN LAWS AND FOR OTHER PURPOSES", approved on June 8, 2001.

[4] Refer to *Power Sector Assets and Liabilities Management Corporation (PSALM) v. Felisa Agricultural Corporation, et al.*, G.R. No. 205193, July 5, 2021.

[5] Supra Note 1.

down in *City of Cabanatuan*[6] and found respondent CASURECO III, who is engaged in the business of electric power distribution, liable for payment of local franchise taxes to the City of Iriga (where it had its principal office) based on its gross receipts within Iriga City, as well as the Rinconada area, of Camarines Sur, thus:

> x x x. It should be stressed that what the petitioner seeks to collect from CASURECO III is a franchise tax, which as defined, is a tax on the exercise of a privilege. As Section 137 of the LGC provides, franchise tax shall be based on gross receipts precisely because it is a tax on business, rather than on persons or property. **Since it partakes of the nature of an excise tax/the situs of taxation is the place where the privilege is exercised, in this case in the City of Iriga, where CASURECO III has its principal office and from where it operates, regardless of the place where its services or products are delivered**. Hence, franchise tax covers all gross receipts from Iriga City and the Rinconada area. *(Emphasis supplied)*

The Supreme Court in the above case disregarded where respondent CASURECO III delivered its service in fixing the latter's tax situs. The High Court held that the situs for local franchise tax purposes should be the principal place of business or office from where CASURECO III operates, regardless of the place where its services or products are delivered.

Note that the present case has the exact legal issue with that of *City of Iriga* (*i.e.*, situs of taxation for local franchise tax); thus, the doctrine of *stare decisis* finds application. The principle of *stare decisis et non quieta movera* ("to adhere to precedents and not to unsettle things which are established") is a bar to any attempt to re-litigate the same issue where the same questions relating to the same event have been put forward by parties similarly situated as in a previous case litigated and decided by a competent court.[7] Clearly, the Court properly applied *City of Iriga* to the present case. Thus, petitioner herein cannot be held liable for local franchise taxes by respondent Province of Davao Del Norte even assuming it delivers or caters its services within the latter's territory.

In view of the foregoing, there being no new matter or substantial issue raised by respondent Province of Davao Del Norte in its *Motion for Reconsideration*, the Court finds no compelling reason to reverse or modify the conclusions reached in the Decision promulgated on October 15, 2025.

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[6] Supra Note 2.

[7] *Commissioner of Internal Revenue vs. Federation of Golf Clubs of the Philippines, Inc.*, G.R. No. 226449, July 28, 2020, citing *Tala Realty Corp., Inc. vs. Banco Filipino Savings & Mortgage Bank*, G.R. No. 181369, June 22, 2016.

ACCORDINGLY, respondent's **Motion for Reconsideration (Re: Decision Dated October 15, 2025)** is **DENIED** for lack of merit.

SO ORDERED.

CORAZON G. FERRER-FLORES
Associate Justice

WE CONCUR:

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

With Dissenting Opinion
MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

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NATIONAL TRANSMISSION CORPORATION *Petitioner,*	**CTA AC NO. 298** Members:
-versus-	**RINGPIS-LIBAN,** *Chairperson,* **MODESTO-SAN PEDRO,** *and* **FERRER-FLORES** *JJ.*
PROVINCE OF DAVAO DEL NORTE, REPRESENTED BY ITS PROVINCIAL TREASURER MS. REGINA RICAFORT AND PROVINCE OF COMPOSTELA VALLEY, REPRESENTED BY ITS PROVINCIAL TREASURER MS. CARMEN RAZUL, *Respondents.*	Promulgated: APR 10 2026 1:05 p.m.

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DISSENTING OPINION

MODESTO-SAN PEDRO, J.:

With utmost respect, I disagree with the *ponencia*'s denial of the present Motion for Reconsideration. I am instead of the opinion that the Decision, dated October 25, 2025, should not have partially granted the instant Petition for Review as the Regional Trial Court ("RTC") did not have jurisdiction over the appeal before it.

The RTC based its claim of jurisdiction over petitioner's appeal on *Section 195 of Republic Act No. 7160,* otherwise known as the *Local Government Code of 1991*, as amended ("*LGC*"). This provision does, indeed, grant the RTC with jurisdiction over appeals against a Local Government Unit's ("LGU") denial of a taxpayer's protest to an assessment for local taxes against it.

This authority is not without exceptions, however. *Presidential Decree* ("*PD*") *No. 242* requires that controversies between and among entities "under the executive control and supervision of the President of the Philippines" be brought before the Solicitor General, the Government Corporate Counsel, or the Secretary of Justice, depending on the parties involved, *instead of before the Courts*. This was enacted in response to (1) litigation where, "in the ultimate analysis", the opposing parties constitute "but on real party in interest — the Government itself"; (2) the amount of such cases clogging court dockets; and (3) the observation that the subject entities are, to reiterate, "under the executive control and supervision of the President of the Philippines", who can consequently exert a more direct authority on the parties to resolve the conflict between them.

The applicability of the *PD No. 242* to disputes around tax assessments was confirmed and thoroughly explained by the Supreme Court in *Power Sector Assets and Liabilities Management Corporation v. Commissioner of Internal Revenue*[1] ("*PSALM*"), which was most recently affirmed in *Department of Energy v. Court of Tax Appeals* ("*DOE*").[2]

I am of the opinion that *PD No. 242* applies to this case. While relevant Supreme Court rulings, such as *PSALM* and *DOE*, cover conflicts with the Commissioner of Internal Revenue over national taxes, their application of *PD No. 242* to tax assessment disputes is still relevant to the case at bar, as both parties still fall under the coverage of *PD No. 242*.

As petitioner itself states in the Petition for Review, it is a government instrumentality,[3] which are included in the coverage of *PD No. 242* and directly enumerated in *Section 1* of said law.

As for respondents, they are Local Government Units ("LGC"), specifically provincial governments. Such LGUs, however, are also under the "supervisory authority" of the President, following *Section 25 of the LGC*:

> Section 25. National Supervision over Local Government Units. -
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> (a) Consistent with the basic policy on local autonomy, *the President shall exercise general supervision over local government units* to ensure that their acts are within the scope of their prescribed powers and functions.
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> *The President shall exercise supervisory authority directly over provinces*, highly urbanized cities, and independent component cities; through the province with respect to component cities and

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1 G.R. No. 198146, August 8, 2017.
2 G.R. No. 260912, August 17, 2022.
3 Petition for Review, p. 2, *Rollo*, p. 17.

> municipalities; and through the city and municipality with respect to barangays.
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> . . .

(Italics supplied.)

Considering that petitioner is a government instrumentality and that respondents are provincial LGUs, their dispute over the assessment against petitioner is one among entities "under the executive control and supervision of the President of the Philippines". Petitioner thus availed of the wrong remedy when it brought its appeal to the RTC, which should have dismissed the case outright. Instead, petitioner should have brought its appeal before the Solicitor General.[4]

In light of the RTC's lack of jurisdiction over this case, I believe that this Court should *not* have partially overturned the RTC's ruling by partially granting petitioner's protest against the subject assessment. Rather, We should have amended the RTC's ruling to instead dismiss the appeal before it for lack of jurisdiction.

The partial grant of petitioner's protest was also improper, to my eyes: the RTC being the wrong venue to question the assessment against petitioner, *no valid judicial protest to the assessment was ever filed.* Hence, this Court should not have treated petitioner's appeal as valid by partially granting it and modifying the assessment.

I thus vote to **GRANT** respondent's Motion for Reconsideration by rendering an Amended Decision that, instead, amends the RTC's January 18, 2023 Decision to dismiss the appeal before it for lack of jurisdiction.

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

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[4] *Section 3 of PD No. 242* divides the covered entities into two groups: "departments bureaus, offices and other agencies of the National Government" and "government-owned or controlled corporations or entities being served by the Office of the Government Corporate Counsel". Disputes among the first group exclusively should be brought before the Solicitor General; those among the second ground exclusively should be brought before the Office of the Government Corporate Counsel ("OGCC"); and those among members of both groups (e.g. a dispute between a bureau and a government-owned or controlled corporation) should be brought before the Secretary of Justice.

Government "instrumentalities" are not listed among the entities identified in *Section 3 of PD No. 242*. However, as they are not served by the OGCC, We can conclude that they belong to the first group. Thus, the present controversy should have been brought to the Solicitor General specifically.