24-000515-0016

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

FIRST DIVISION

CTA AC NO. 333

CITY OF TAGUIG and ATTY. VOLTAIRE L. ENRIQUEZ, in his capacity as OIC-City Treasurer-City of Taguig,
Defendants-Petitioners,

- versus -

COSMOS BOTTLING CORPORATION,
Plaintiff-Respondent.

NOTICE OF DECISION

CTA AC NO. 338

COSMOS BOTTLING CORPORATION,
Plaintiff-Petitioners,

- versus -

CITY OF TAGUIG and ATTY. VOLTAIRE L. ENRIQUEZ, in his capacity as OIC-City Treasurer-City of Taguig,
Defendants-Respondents.

To:

ATTY. FATIMA A. ALCONCEL-RELENTE
ATTY. MICHELENE C. MALASA-MUEGO
(Counsel for City Government of Taguig)
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A.M. SISON, JR. & PARTNERS
(Counsel for Cosmos Bottlling Corporation)
Suite 2002-A Security Bank Centre, 6776 Ayala Avenue, Makati City

HON. PAZ ESPERANZA M. CORTES
Presiding Judge
Thru: Branch Clerk of Court
National Capital Judicial Region
Regional Trial Court
Branch 271 - Taguig City
2nd Floor, Hall of Justice Building
DPWH Compound, Gen. Santos Avenue
Central Bicutan, Taguig City

GREETINGS:

You are hereby notified by these presents that on **January 6, 2026,** a Decision was rendered in the above-entitled case, copy of which is attached hereto.

Quezon City, Philippines, **January 7, 2026.**

Atty. Maria Johoanna F. Chan-Te
Executive Clerk of Court III

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

FIRST DIVISION

CITY OF TAGUIG and ATTY. VOLTAIRE L. ENRIQUEZ, in his capacity as OIC-City Treasurer-City of Taguig, Defendants-Petitioners, - versus - **COSMOS BOTTLING CORPORATION,** Plaintiff-Respondent.	CTA AC Case No. 333
x - - - - - - - - - - - - - - - - - x	
COSMOS BOTTLING CORPORATION, Plaintiff-Petitioner, - versus - **CITY OF TAGUIG, ATTY. J. VOLTAIRE L. ENRIQUEZ** in his capacity as OIC-City Treasurer-City of Taguig, Defendants-Respondents.	CTA AC Case No. 338 Members: **BACORRO-VILLENA**, Acting *Chairperson, and* **CUI-DAVID**, *JJ.* Promulgated: JAN 0 6 2026 4:20 p.m.

x - x

DECISION

BACORRO-VILLENA, J.:

Our disposition covers two (2) petitions, pursuant to Section 3(a)(3)[1], Rule 4 of the Revised Rules of the Court of Tax Appeals (**RRCTA**), assailing the Decision dated 14 May 2024[2] (**assailed Decision**) and Resolution dated 10 July 2024[3] (**assailed Resolution**), both rendered by the Regional Trial Court (**RTC/court a *quo***) of Taguig City, Branch 271, in Civil Case No. 064-TG, entitled *Cosmos Bottling Corporation v. City of Taguig and Atty. J. Voltaire L. Enriquez in his capacity as OIC-City Treasurer-City of Taguig.*

The first petition, docketed as CTA AC Case No. 333, is a Petition for Review filed by petitioners City of Taguig (**Taguig City**) and Atty. Voltaire L. Enriquez, in his capacity as officer-in-charge (**OIC**)-City Treasurer-City of Taguig (**City Treasurer**) on 16 September 2024 against respondent Cosmos Bottling Corporation (**CBC**).[4]

Docketed as CTA AC Case No. 338, the second is a Petition for Review filed by petitioner CBC on 05 September 2024 against respondents Taguig City and its City Treasurer.[5]

PARTIES OF THE CASE

Taguig City is a local government unit (**LGU**) created and existing under and by virtue of its charter Republic Act (**RA**) No. 8487.[6] It is represented by its incumbent City Mayor, Hon. Maria Laarni L. Cayetano, with office at Taguig City Hall, Gen. A. Luna Street, Barangay

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1 SEC. 3. *Cases within the jurisdiction of the Court in Division.* – The Court in Division shall exercise:
(a) Exclusive original over or appellate jurisdiction to review by appeal the following:
...
(3) Decisions, resolutions or orders of the Regional Trial Courts in local tax cases decided or resolved by them in the exercise of their original jurisdiction[.]

2 Division Docket (CTA AC Case No. 333), pp. 84-119.

3 Id., pp. 120-139.

4 Petition for Review, id., pp. 66-78.

5 Petition for Review, Division Docket (CTA AC Case No. 338), pp. 5-24.

6 AN ACT CONVERTING THE MUNICIPALITY OF TAGUIG, METRO MANILA, INTO A HIGHLY URBANIZED CITY TO BE KNOWN AS THE CITY OF TAGUIG, AND FOR OTHER PURPOSES.

Tuktukan, 1637 Taguig City, Metro Manila, where court processes may likewise be served through the City Legal Office on the 4th Floor of the same building.[7]

In addition, the City Treasurer holds office at the Office of the City Treasurer, Taguig City Hall, and may likewise be served through the City Legal Office.[8]

On the other hand, CBC is a domestic corporation allegedly engaged in the manufacture and sale of beverage products, with principal office at the 27th Floor, Net Lima (Six/NEO) Building, 5th Avenue corner 26th Street, Bonifacio Global City, Taguig City, Metro Manila (**Taguig office**). As one of Taguig City's registered corporate taxpayers, it may be served with court processes through its counsel, A.M. SISON, JR. & PARTNERS, located at Suite 2002-A, Security Bank Centre, 6776 Ayala Avenue, Makati City, Metro Manila.[9]

FACTS OF THE CASE

In January 2016, CBC sought to renew its business permit with Taguig City, declaring that its Taguig office functioned solely as an administrative office with no income-generating activities. In its application for business permit renewal (**Application Form**) filed on 07 January 2016[10], CBC specified that it maintained a floor area of 24,245 square meters, engaged in "ADMIN OFFICE ONLY (MANUFACTURING)", and reported "NO INCOME." CBC clarified that all manufacturing and distribution activities were handled by Coca-Cola FEMSA Philippines, Inc. (**CCFPI**), while its Taguig office merely oversaw planning, budgeting, finance, human resources and legal compliance functions for its nationwide operations.

Despite this clear declaration, Taguig City's City Treasurer, through a Billing Statement dated 07 January 2016[11], assessed CBC ₱4,401,121.62 in local business tax (**LBT**) under the classification of a

7 Par. 3, Parties, Petition for Review, supra at note 5, p. 6.
8 Par. 4, id.
9 Par. 11, Parties, Petition for Review, supra at note 4, p. 69.
10 Exhibit "Y", RTC Records, Volume I, p. 399.
11 Exhibit "Z", id., p. 400.

contractor, ₱10,846.00 in permits and fees, and ₱10,500.00 for a corporate community tax certificate (**CTC**), totaling ₱4,422,467.62 for the calendar year (**CY**) 2016. The LBT computation was based on CBC's value-added tax (**VAT**) returns for the first (1st) to third (3rd) quarters of 2015, which reflected gross sales from its manufacturing activities outside Taguig City.[12] Since nonpayment would result in the non-issuance of its 2016 business permit, CBC paid under protest the amount on 08 January 2016[13] to avoid disruption of its administrative operations.

On 03 March 2016, CBC filed a "Protest Against 2016 Billing Statement with Claim for Tax Credit or Refund in the amount of Php 4,403,871.62" (**protest**) with the City Treasurer, seeking the return of ₱4,403,871.62, representing the LBT, environmental impact fee and fire code fee it had paid under protest, to wit:[14]

LBT	₱4,401,121.62
Environmental Impact Fee (**EIF**)	2,500.00
Fee based on the Fire Code	250.00
Total	**₱4,403,871.62**

CBC argued that it should not be taxed as a *manufacturer* or *contractor* since no sales or income were derived from its Taguig office. To substantiate this, CBC submitted a certification of gross sales *per* branch for CY 2015 or payment details, which showed that all sales recorded in other cities or municipalities such as Bacolod[15], Calasiao[16], Calamba[17], Mandaue[18], Davao[19], Ilagan[20], San Nicolas[21], Pavia[22], Meycauayan[23], Villanueva[24], Naga[25], San Fernando[26], Sta. Rosa[27],

12 See Exhibit "EE", id., p. 429.
13 Exhibit "AA", id., p. 401.
14 Exhibit "EE", id., pp. 428-435.
15 Exhibit "C", id., p. 358.
16 Exhibit "D", id., p. 359.
17 Exhibit "F", id., p. 362.
18 Exhibit "G", id., p. 363.
19 Exhibit "I", id., pp. 361 and 368.
20 Exhibit "J", id., p. 369.
21 Exhibit "K", id., p. 370.
22 Exhibit "L", id., p. 371.
23 Exhibit "M", id., p. 372.
24 Exhibit "N", id., p. 373.
25 Exhibit "O", id., p. 374.
26 Exhibit "P", id., p. 375.
27 Exhibit "S", id., p. 378.

Tacloban[28], Tagbilaran[29], Zamboanga[30] and, with no recorded sales in Taguig City.

In response, the City Treasurer issued a letter-reply dated 02 May 2016 received by CBC on 13 May 2016, saying that the claim was still under evaluation.[31]

PROCEEDINGS BEFORE THE REGIONAL TRIAL COURT

On 13 June 2016, CBC filed a Complaint[32] before the RTC seeking the refund of ₱4,403,871.62, representing the LBT, EIF and fire code fee it had allegedly paid. It asserted that: (1) the assessment was null and void for want of factual and legal bases; (2) Taguig City acted without authority in assessing and collecting business taxes on activities that were administrative in nature and not conducted within its territorial jurisdiction; (3) the payment was made under compulsion solely to secure the renewal of its business permit; and (4) Taguig City's continued retention of the payment constituted unjust enrichment at the taxpayer's expense.

On 05 August 2016, summons was issued to Taguig City and its City Treasurer, directing them to file an Answer within fifteen (15) days from the date of receipt thereof.[33]

Instead of filing an Answer, Taguig City and its City Treasurer filed a "Motion to Dismiss"[34] (**MTD**) on 15 November 2016. Consequently, CBC filed a "Comment and Opposition to [MTD]".[35] The court *a quo* in its Order dated 18 August 2017, denied the MTD and asked Taguig City and its City Treasurer to file their Answer within five (5) days from the date of receipt thereof.

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28 Exhibit "T", id., p. 379.
29 Exhibit "U", id., p. 380.
30 Exhibit "W", id., p. 382.
31 Par. 14, IV. Statement of Material Facts, Petition for Review, supra at note 4, p. 69.
32 Complaint, RTC Records, Volume I, pp. 3-14.
33 Id., p. 62.
34 Id., pp. 99-108.
35 Id., pp. 111-119.

In compliance with the court *a quo*'s directive, on 14 September 2017, Taguig City and its City Treasurer filed their Answer[36], asserting that the City Treasurer was still in the process of examining CBC's books of accounts and, consequently, had not yet rendered any final decision on CBC's protest. They argued that in the absence of such a final determination, no appealable decision existed which could be brought before the RTC. Hence, they maintained that CBC's complaint was premature and that it failed to state a cause of action, as the administrative process remained pending.

Thereafter, the Pre-Trial Conference was set on 24 November 2017.[37] CBC filed its Pre-Trial Brief[38] on 21 November 2017. On even date, Taguig City and its City Treasurer filed their Pre-Trial Brief.[39] The Pre-Trial Conference was subsequently reset to 23 February 2018[40] and 07 March 2019[41], in order to accommodate the conduct of mediation proceedings between the parties.

The case thereafter proceeded to mediation with the Philippine Mediation Center[42] (**PMC**) and judicial dispute resolution[43] (**JDR**), all of which proved unsuccessful.

Following multiple resets[44], the Pre-Trial Conference was successfully held on 03 August 2023[45] and the pre-trial proceedings were then terminated accordingly.

In the trial that ensued subsequently, CBC presented its sole witness: Gil T. Lisazo Jr. (**Lisazo**), its Senior Tax Analyst III from

36 Id., pp. 138-143.
37 Notice of Pre-Trial Conference dated 04 October 2017, id., pp. 145-146.
38 Id., pp. 147-151.
39 Id., pp. 152-156.
40 See Order dated 24 November 2017, id., p. 158.
41 See Notice of Pre-Trial dated 12 July 2018, id., p.184.
42 Id., p. 159.
43 See Amended Order dated 22 June 2018, id., p. 180.
44 See Order dated 26 September 2019, id., p. 200; see Notice of Pre-Trial dated 04 May 2020, id., p. 218; see Notice of Pre-Trial dated 07 October 2020, id., p. 222; see Order dated 02 December 2021, id., p. 254; see Notice of Pre-Trial dated 10 March 2022, id., p. 258; see Order dated 11 August 2022, id., p. 260; see Notice of Pre-Trial dated 29 September 2022, id., p. 315; see Notice of Pre-Trial dated 23 February 2023, id., p. 463; see Notice of Pre-Trial dated 12 April 2023, id., Volume II, p. 532.
45 See Pre-Trial Order dated 03 August 2023, id., pp. 534-535.

February 2008 until his retirement on 31 December 2020, who testified *via* his judicial affidavit.

On the witness stand, Lisazo testified that: (1) he had the duty to review the LGC of 1991, as amended and existing tax ordinances of Taguig City; (2) CBC is engaged in the manufacture and wholesale of beverages such as Sarsi, Jazz, Sparkle and Pop Cola, with its principal office located at the 27th Floor, Net Lima Building, Bonifacio Global City, Taguig; (3) this principal office serves purely administrative functions, *i.e.*, supervision, planning, budgeting, finance, human resources and legal compliance, and conducts no manufacturing or sales activities within Taguig; (4) CBC has sixteen (16) branches or plants located in various cities and municipalities nationwide, including Bacolod, Calasiao, Calamba, Mandaue, Davao, Ilagan, San Nicolas, Pavia, Meycauayan, Villanueva, Naga, San Fernando, Sta. Rosa, Tacloban, Tagbilaran, and Zamboanga, where it pays local taxes and regulatory fees; (5) its products are toll-manufactured and distributed by CCFPI under a Toll Manufacturing Agreement[46] and sold exclusively to CCFPI under a Distributorship Agreement[47]; (6) on 7 January 2016, it applied for renewal of its business permit in Taguig City, declaring no income since it operated only as an administrative office; (7) despite this, City Treasurer imposed LBT and fees totaling ₱4,422,467.62, based on its VAT returns, classifying it as a *contractor*; (8) CBC protested, arguing that no Letter of Authority (**LOA**) was issued to examine its records before the billing, and that the assessment was without basis; (9) it nonetheless paid the assessed amount under protest to secure the release of its business permit; (10) prior to 2016, it had only been paying mayor's permit and regulatory fees averaging ₱25,000.00 to ₱50,000.00 annually and was surprised by the sudden imposition of LBT; (11) in March 2016, it filed a formal protest with claim for refund, but the City Treasurer took no action; (12) it emphasized that sales were derived solely from plants outside Taguig, averaging ₱600 million, with none generated within Taguig City; (13) any remittances made to its Taguig office were merely administrative fund transfers and not sales proceeds; and (14) it consistently paid income tax but not LBT, since there were no sales or manufacturing activities conducted within Taguig City's jurisdiction.[48]

46 Exhibit "A", id., Volume I, pp. 337-347.
47 Exhibit "B", id., pp. 348-357.
48 See Division Docket (CTA AC Case No. 333), pp. 95-98.

During his cross-examination, Lisazo clarified that: (1) CBC had no manufacturing plants in Taguig City, as all its production facilities were located in various provinces such as Bacolod, Calasiao, Calamba, Mandaue, Davao, Ilagan, San Nicolas, Pavia, Meycauayan, Villanueva, Naga, San Fernando, Sta. Rosa, Tacloban, Tagbilaran and Zamboanga; (2) the payments reflected in Exhibits "C" to "W" represented LBT and mayor's permits paid in those localities, with each branch paying taxes based on actual sales, averaging about ₱100,000.00 *per* branch, such as ₱25,617.19 in Zamboanga and ₱149,121.61 in Bacolod; (3) Taguig City computed CBC's 2016 LBT at 65% of 1% based on its local ordinance and classified the company as a *contractor*, not a *manufacturer*, without explaining the basis of computation or applying the 30–70 sales allocation; (4) CBC declared 100% of its sales in the respective branches where they occurred, totaling about ₱677,095,633.55; (5) the latter figure represented only a portion of total nationwide sales and that no sales were generated in the Taguig office; (6) the Taguig office functioned solely as the head or administrative office, where funds from provincial branches were transferred for centralization of expenses, such as salaries and rentals, before being reallocated back to the plants for operational costs; and (7) while income taxes were paid through the Taguig office, LBTs were paid only in the respective provinces, consistent with where the sales were actually made.[49]

On redirect examination, Lizaso declared that: (1) in CBC's notarized Application Form[50] for 2016, its declared line of business in Taguig City was "ADMIN OFFICE ONLY" with no income or sales, consistent with its purely administrative operations; (2) from 2012 to 2015, after CBC transferred its head office to Taguig City, the latter had never been assessed any LBT, paying only mayor's permit, regulatory and service fees, averaging ₱25,000.00 to ₱50,000.00, along with the corporate CTC; (3) the Business Permit and Licensing Office (**BPLO**) had consistently required only the notarized application for renewal of business permit, without demanding additional documents such as VAT returns or other financial attachments; (4) during this period, Taguig City had not questioned CBC's sworn declarations that its Taguig office was mere administrative in nature and derived no income within the city's jurisdiction; and (5) even after 2016, the same procedural

[49] TSN dated 28 September 2023, pp. 10-19.
[50] Supra at note 10.

requirements for business permit renewal remained unchanged, with no additional documentary submissions required by the BPLO.[51]

Upon re-cross examination, Lizaso revealed that: (1) in applying for the renewal of CBC's 2016 business permit in Taguig City, he personally accomplished the notarized Application Form; (2) no audited financial statements (**AFS**) or VAT returns were attached thereto, as these were not among the requirements imposed by the BPLO; (3) the only supporting document submitted was the Certification of Sales *per* plant, which summarized the sales generated by the CBC's provincial branches; (4) the amount of ₱677,095,633.55 could represent only a portion of CBC's total nationwide sales, being the aggregate of reported sales from different plants; and (5) the actual gross sales for the year 2016 could have been higher than the figure reflected in Exhibit "Z-1."

Pursuant to the court *a quo*'s Order dated 28 September 2023[52], CBC filed its "Formal Offer of Evidence (for the Plaintiff)"[53] (**FOE**) on 08 November 2023. In due course, Taguig City and its City Treasurer filed a "Comment/Opposition to Plaintiff's [FOE])"[54] on 15 November 2023.

On 30 January 2024, the court *a quo* issued a Resolution admitting all CBC's pieces of evidence.[55]

During Taguig City's and its City Treasurer's presentation of evidence on 29 February 2024, they presented their sole witness, Gabriel Cultura (**Cultura**), Taguig City's Revenue Examiner (**Rev Ex**), who testified *via* his judicial affidavit.[56]

On the witness stand, Rev Ex Cultura declared that: (1) CBC was assessed ₱4,422,467.62 for CY 2016, comprising ₱4,401,121.62 in LBT and various fees for the mayor's permit, corporate CTC, environmental

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[51] Supra at note 49, pp. 20-22.
[52] RTC Records, Volume II, pp. 543-544.
[53] Id., pp. 547-560.
[54] Id., pp. 690-696.
[55] See Order dated 16 November 2023, id., p. 702.
[56] See Order dated 30 July 2024, Division Docket, Volume III, pp. 1492-1493.

impact, and fire permit, based on Ordinance No. 24, s. 1993[57], or otherwise known as "The Revenue Code of Taguig" (**RCT**), as amended by Ordinance No. 085, s. 2005[58]; (2) CBC was classified as a *contractor* engaged in the sale of services in beverage production, with 30% percent of its sales deemed taxable in Taguig City under Section 79[59](b)(3) of the RCT, as amended[60], while the ₱2,500.00 EIF and ₱200.00 fire permit were imposed under City Ordinance No. 111, s. 2007[61]; (3) the assessments were validly made on the basis of gross receipts, regardless of profit, and that no exemption applied; and (4) no inspection of CBC's Taguig office or books was conducted and he could not recall the specific documents reviewed.[62]

During cross-examination, Rev Ex Cultura clarified that: (1) the LBT imposed on CBC was based on Section 79(b)(3) of the RCT, as amended, which attributes 30% of sales to the city where a company's principal office is located; (2) he could not confirm whether sales were recorded in the Taguig office since no inspection or audit of CBC's books was conducted; (3) CBC was properly taxed as a *contractor* under Section 74[63] of the RCT, as amended, claiming that it rendered services for a fee and that such classification was determined by the BPLO; and (4) the tax base used was CBC's gross receipts, applying the *situs* rule since the principal office was in Taguig City, even though the manufacturing plants were outside the city.[64]

With no further questions or redirect, the cross-examination was concluded.[65]

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57 THE REVENUE CODE OF TAGUIG.

58 Exhibit "3", RTC Records, Volume I, pp. 273-296; AN ORDINANCE AMENDING CERTAIN PROVISIONS OF THE MUNICIPAL ORDINANCE NO. 24 SERIES OF 1993 OTHERWISE KNOWN AS "THE REVENUE CODE OF TAGUIG " AND ADOPTING THE NEW RATES PRESCRIBED UNDER THIS ORDINANCE

59 SEC. 79 – **Situs of the Tax**.

60 Supra at note 58.

61 Exhibit "4", RTC Records, Volume I, pp. 297-310; AN ORDINANCE AMENDING CERTAIN PROVISIONS OF THE MUNICIPAL ORDINANCE NO. 24, SERIES OF 1993 OTHERWISE KNOWN AS "THE REVENUE CODE OF TAGUIG" AND ADOPTING THE NEW RATES PRESCRIBED UNDER THIS ORDINANCE.

62 See Division Docket (CTA AC Case No. 333), pp. 100-101.

63 SEC. 74 – Definitions.

64 TSN dated 29 February 2024, pp. 7-14.

65 Id., p. 14.

On 18 April 2024, Taguig City and its City Treasurer filed their FOE[66], consisting of Exhibits "1" to "5," which the court *a quo* all admitted in its Order dated 09 May 2024.[67] On even date, the RTC rendered the assailed Decision partially granting CBC's claim for refund and ordering Taguig City and its City Treasurer to refund CBC the amount of ₱1,902,854.19 on LBT and ₱2,350.00 on the EIF, as follows:[68]

> ...
>
> **WHEREFORE**, premises considered, judgment is hereby rendered thus:
>
> The Petition herein is hereby **PARTIALLY GRANTED.**
>
> The City of Taguig is hereby **ORDERED** to **REFUND** to the plaintiff the amount of One Million Nine Hundred Two Thousand Eight Hundred Fifty[-]Four Pesos and Nineteen Centavos (**Php 1,902,854.19**) on the **Local Business Tax** and the amount of Two Thousand Three Hundred Fifty Pesos (**Php 2,350.00**) on the Environmental Impact Fee.
>
> **SO ORDERED.**
>
> ...

The RTC found that while Taguig City validly exercised its taxing power under the LGC of 1991, as amended and its ordinances, the assessment must adhere to the correct *situs* and rate applicable to *manufacturers*. Accordingly, CBC's Taguig office was liable only for 30% of its gross receipts, taxable at the manufacturer's rate of 37.5% of 1%, resulting in an LBT due of ₱2,498,267.43. Given that CBC paid ₱4,401,121.62, an overpayment of ₱1,902,854.19 was found refundable.

Both parties file a motion for partial reconsideration (**MPR**).

On 30 May 2024, CBC filed its MPR[69], arguing that it was not liable for LBT in Taguig City since the 30–70 sales allocation was inapplicable and required sales to be recorded in the principal office, which was

66 RTC Records, Volume II, pp. 715-717.
67 See Order dated 09 May 2024, id., p. 727.
68 Supra at note 2, p. 119; emphasis in the original text.
69 RTC Records, Volume II, pp. 768-780.

unavailing in the instant case. In their Comment/Opposition[70], the City of Taguig and its Treasurer maintained that the court *a quo* correctly applied the *situs* of taxation under Section 150[71] (a), (b), and (e) of the LGC of 1991, as amended, stressing that because CBC's principal office is in Taguig City while its branches operate elsewhere, the 30-70 rule applies even if no sales occurred locally. They further asserted that CBC is not a *manufacturer* under Section 74[72] of the RCT, as amended[73], but rather a *contractor*, as it has no factory, yet it reported ₱677,095,633.66 in sales derived from service-based operations.

On the other hand, Taguig City and its City Treasurer, in their MPR filed on 07 June 2024[74], avowed that: (1) CBC was correctly taxed as a *contractor*, not as a *manufacturer*, since its Taguig office was purely administrative and fell within Sections 74, 75[75](e), and 79[76] of RCT, as amended[77], and Section 115(O)[78] of Ordinance No. 111, s. 2007[79] on the EIF; and (2) the ₱4,401,121.62 tax was computed from a ₱677,095,633.66 gross sales/receipts tax base using the 65% of 1% LBT rate. In contrast, CBC, in its Comment/Opposition[80], argued that: (1) it was a *manufacturer* engaged in beverage production through toll manufacturing; (2) factory ownership is not required under Section 131[81] (o) of the LGC of 1991, as amended; and (3) its Taguig office merely performed non-revenue administrative functions, hence not liable for LBT.

After evaluating the parties' motions, the court *a quo* **partially granted** CBC's MPR and **denied** that of Taguig City and its City Treasurer. It reaffirmed that CBC qualifies as a *manufacturer*, as shown by its own admissions, *e.g.*, business permit renewal application. The reconsideration pertained only to the applicable LBT rate, where upon further scrutiny, the court *a quo* found error in applying 37.5% of 1%,

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70 Id., pp. 796-801.
71 **Sec. 150**. *Situs of the Tax.*
72 Supra at note 63.
73 Supra at note 58.
74 RTC Records, Volume II, pp. 784-792.
75 SEC. 75 – **Imposition of Tax**.
76 Supra at note 59.
77 Supra at note 58.
78 ADMINISTRATION OFFICES, DISPLAY OFFICES AND/OR OFFICES OF PROFESSIONALS.
79 Supra at note 61.
80 RTC Records, Volume II, pp. 813-819.
81 **Sec. 131**. *Definition of Terms.*

ruling instead that the correct rate is 25% of 1% pursuant to the RCT, as amended, thereby increasing the refundable amount. The dispositive portion reads:[82]

> ...
>
> **WHEREFORE**, premises considered, the 30 May 2024 Motion for Partial Reconsideration of the plaintiff of the 14 May 2024 Decision is hereby **PARTIALLY GRANTED**.
>
> The City of Taguig is hereby **ORDERED** to **REFUND** to the plaintiff the amount of Two Million Seven Hundred Eight Thousand Three Hundred Eighty[-]Two Pesos and Fifty[-]Four Centavos (**Php 2,708,382.54**) on the **Local Business Tax** and the amount of Two Thousand Three Hundred Fifty Pesos (**Php 2,850.00**) on the **Environmental Impact Fee**.
>
> The 07 June 2024 Motion for Partial Reconsideration of the defendant of the 14 May 2024 Decision is hereby **DENIED**.
>
> **SO ORDERED.**
>
> ...

PROCEEDINGS BEFORE THE COURT

Unsuccessful in their bid for reconsideration before the court *a quo*, parties filed their respective petitions – Taguig City and its City Treasurer filed their Petition for Review[83] on 16 September 2024, while CBC filed its Petition for Review[84] on 05 September 2024.

CTA AC Case No. 333

Taguig City and its City Treasurer, in their petition, contended that: (1) CBC should not be taxed as a *manufacturer* as it is engaged in the business of selling services for a fee, *i.e.*, production and distribution of non-alcoholic beverages; and (2) Section 115(O)[85] of Ordinance

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82 Supra at note 3, pp. 138-140; emphasis in the original text.
83 Supra at note 4.
84 Supra at note 5.
85 Supra at note 78.

No. 111, s. 2007[86] is applicable for *contractors*, such as CBC, and not par. (R)[87] of the same Section.

On 02 October 2024, the Court ordered: (1) CBC to file a comment within five (5) days from notice; and (2) the Branch Clerk of Court of the court *a quo* to elevate the entire records of Civil Case No. 064-TG, within ten (10) days from notice. [88]

In compliance, Atty. Angelli Jude I. Tolentino (**Atty. Tolentino**), the court a *quo*'s Officer-in-Charge/ Legal Researcher II, transmitted the complete records through a letter dated 15 October 2024[89], consisting of three (3) folders with 1,059 pages. The Court received the same on 17 October 2024 and duly noted the transmittal on 25 November 2024.[90]

CBC complied on 29 October 2024, filing its "Comment/ Opposition (to the Petition for Review dated September 13, 2024)".[91] It countered that: (1) ownership of a factory is not a prerequisite for being considered engaged in the business of manufacturing; (2) under RA 7394[92], even if the goods are manufactured, assembled, or processed by one entity for another person, the latter is still considered the manufacturer if the latter attaches its own brand name to the consumer products; (3) a manufacturer has the inherent right to sell or distribute its manufactured products; and (4) CBC has consistently and vigorously contested the accuracy and validity of the tax base used in the instant case.

CTA AC Case No. 338

CBC, in its petition, asseverated that the court *a quo* erred in: (1) ruling that CBC is liable for LBT in its Taguig office by applying the 30–70 sales allocation under Section 150[93] (a), (b) and (e) of the LGC of

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86 Supra at note 61.
87 ALL OTHER BUSINESS AND OTHER SERVICE AGENCIES NOT SPECIFICALLY MENTIONED ABOVE: I. Manufacturers, producers and processors.
88 Division Docket (CTA AC Case No. 333), p. 141.
89 Id., pp. 143-144.
90 Id., p. 277.
91 Id., pp. 265-273.
92 THE CONSUMER ACT OF THE PHILIPPINES.
93 Supra at note 71.

1991, as amended; (2) using the gross capital as tax base in the computing the LBT; and (3) not awarding legal interest to CBC.

On 04 November 2024, the Court ordered Taguig City and its City Treasurer to file a comment within five (5) days from notice.[94]

Taguig City and its City Treasurer complied on 13 November 2024, filing their "Comment/Opposition (to the Petition for Review dated 5 September 2024)".[95] They countered that: (1) the court *a quo* correctly applied the 30-70 sales allocation under Section 150[96] of the LGC of 1991, as amended; and (2) the court *a quo* was correct in not awarding legal interest as the LGC of 1991, as amended, does not provide for imposition of legal interest.

On 06 December 2024, the Court consolidated CTA AC Case No. 338 with CTA AC Case No. 333 pursuant to Section 1, Rule 31 of the Rules on Civil Procedure, as amended, and Section 3, Rule IV of A.M. No. 05-11-07-CTA, otherwise known as the "Additional Amendments to the 2005 Revised Rules of the Court of Tax Appeals, as amended, and Internal Rules of the Court of Tax Appeals."[97]

Thereafter, on 06 January 2025, the Court submitted the consolidated cases for decision.[98]

ISSUES

Stripped to the essentials, the consolidated cases present for Our determination the following issues —

I.

WHETHER THE COURT *A QUO* ERRED IN SUBJECTING COSMOS BOTTLING CORPORATION TO LOCAL BUSINESS TAX (LBT) AS A *MANUFACTURER*;

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94 Division Docket (CTA AC Case No. 338), p. 121.
95 Id., pp. 123-132.
96 Supra at note 71.
97 Division Docket (CTA AC Case No. 338), pp. 140-141.
98 Division Docket (CTA AC Case No. 333), p. 280.

II.
WHETHER THE COURT *A QUO* ERRED IN APPLYING THE 30-70 SALES ALLOCATION UNDER SECTION 150(A), (B) AND (E) OF THE LOCAL GOVERNMENT CODE (LGC) OF 1991, AS AMENDED; AND

III.
WHETHER THE COURT *A QUO* ERRED IN NOT AWARDING LEGAL INTEREST.[99]

ARGUMENTS

Taguig City and its City Treasurer argue that CBC is not a *manufacturer* but a *contractor* engaged in the sale of services for a fee relating to the production and distribution of non-alcoholic beverages, emphasizing that CBC does not own any factory. Consequently, for EIF, they assert that Section 115(O)[100] of Ordinance No. 111, s. 2007[101], which governs administrative or contractor offices, should apply.

In contrast, CBC maintains that it qualifies as a *manufacturer*, stressing that ownership of a factory is not required under RA 7394[102], as it markets beverages under its own brand. Notwithstanding the same, it further asserts that it was wrongly taxed under the 30-70 sales allocation rule, considering that no taxable business activity is conducted within the territorial jurisdiction of Taguig City. CBC likewise insists on its entitlement to legal interest on the refund, contending that the collection of LBT by Taguig City was arbitrary, oppressive, and violative of established principles of local taxation.

RULING OF THE COURT

At the outset, the Court shall first ascertain whether the instant petitions were timely filed.

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99 See Issue, Petition for Review, supra at note 5, p. 9; *cf.* IV. Statement of the Issue, Petition for Review, supra at note 4, p. 70.
100 Supra at note 78.
101 Supra at note 61.
102 Supra at note 92.

THE INSTANT PETITIONS WERE TIMELY FILED.

Section 7 of RA 1125[103], as amended by RA 9282[104], expressly vests this Court with exclusive appellate jurisdiction over decisions, orders, or resolutions of the RTCs in local tax cases originally decided or resolved by them in the exercise of their original jurisdiction. The law provides:

> ...
>
> **Sec.** 7. *Jurisdiction.* — The CTA shall exercise:
>
> a. Exclusive appellate jurisdiction to review by appeal, as herein provided:
>
> ...
>
> 3. **Decisions, orders, or resolutions of the Regional Trial Courts in <u>local tax cases</u>** originally decided or resolved by them in the exercise of their original or appellate jurisdiction[.][105]
>
> ...

The above provision is implemented by Section 3(a)(3), Rule 4 of the RRCTA, to wit:

> ...
>
> **SEC. 3.** *Cases within the jurisdiction of the Court in Division.* — The Court in Division shall exercise:
>
> (a) Exclusive original over or appellate jurisdiction to review by appeal the following:
>
> ...
>
> **(3) Decisions, resolutions or orders of the Regional Trial Courts in <u>local tax cases</u> decided or resolved by them in the exercise of their original jurisdiction.**[106]
>
> ...

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103 AN ACT CREATING THE COURT OF TAX APPEALS.

104 AN ACT EXPANDING THE JURISDICTION OF THE COURT OF TAX APPEALS (CTA), ELEVATING ITS RANK TO THE LEVEL OF A COLLEGIATE COURT WITH SPECIAL JURISDICTION AND ENLARGING ITS MEMBERSHIP, AMENDING FOR THE PURPOSE CERTAIN SECTIONS OR REPUBLIC ACT NO. 1125, AS AMENDED, OTHERWISE KNOWN AS THE LAW CREATING THE COURT OF TAX APPEALS, AND FOR OTHER PURPOSES.

105 Italics in the original text, emphasis and underscoring supplied.

106 Id.

In the present case, the records show that Taguig City and its City Treasurer received the assailed Resolution of the RTC denying their MPR on 01 August 2024.[107] They had 30 days from such receipt, or until 31 August 2024, to file a Petition for Review before the CTA. On 29 August 2024, they filed a "Motion for Extension of Time to File Petition for Review"[108], which was well within the reglementary period. Subsequently, on 16 September 2024, and within the extended period granted, they filed the instant Petition for Review.[109] As such, the petition was timely filed.

On the other hand, the records indicate CBC received the assailed Resolution of the RTC partially granting its MPR on 13 August 2024.[110] Consequently, CBC had 30 days from receipt, or until 12 September 2024, to file a Petition for Review before the CTA. CBC filed its petition on 05 September 2024[111], well within the reglementary period.

Accordingly, the Court validly acquired jurisdiction over the consolidated cases, as both petitions were filed within their respective reglementary period.

However, anent the EIF, the Supreme Court, in *Smart Communications, Inc. v. Municipality of Malvar, Batangas*[112], citing *Progressive Development Corp. v. Quezon City*[113], clarified that when an imposition's primary purpose is regulation, it is considered a regulatory fee, not a tax, to wit:

> ...
> [I]f the generating of revenue is the primary purpose and regulation is merely incidental, the imposition is a tax; but if regulation is the primary purpose, the fact that incidentally revenue is also obtained does not make the imposition a tax.
> ...

107 RTC Records, Volume II, p. 842.
108 Division Docket (CTA AC No. 333), pp. 5-8.
109 Supra at note 4.
110 RTC Records, Volume II, p. 842.
111 Supra at note 5.
112 G.R. No. 204429, 18 February 2014.
113 G.R. No. L-36081, 24 April 1989.

Here, the EIF imposed under Section 115[114] of Chapter 23 (Garbage Service Charges) of Ordinance No. 111, s. 2007[115], is intended to compensate for the negative social or environmental cost to Taguig City. Its purpose extends beyond revenue generation, embodying Taguig City's regulatory authority to mitigate the adverse effects of commercial activity, such as solid waste accumulation and pollution.

The EIF, which is being assessed based on the area occupied by businesses or condominiums, is a regulatory fee imposed to promote health and safety and enhance the right of the people to a balanced ecology under the general welfare clause of the LGC, as amended.[116] Accordingly, EIF is *not* a local tax. Thus, it does not fall within the scope of Section 7(a)(3)[117] of RA 1125, as amended. Consequently, the Court does not have jurisdiction to rule on the RTC's disposition pertaining to the EIF.

The Court shall thus confine its review only to the issue of CBC's liability for LBT.

With the preliminary matters resolved, the Court now addresses the parties' arguments. After a careful review of the records, the parties' submissions and the applicable laws and rules, the Court finds that the petition of Taguig City and its City Treasurer **lacks merit**, while CBC's petition is **partly meritorious**.

The fundamental issue in this appeal is whether CBC, whose principal office is situated in Taguig City but which operates multiple registered branches that report sales within their respective jurisdictions, may be held liable for the payment of LBT under the RCT, as amended.[118]

Section 146 of the LGC of 1991, as amended, states:

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114 SEC. 115: ENVIRONMENTAL IMPACT FEE.
115 Supra at note 61.
116 See *Jose J. Ferrer v. City Mayor Herbert Bautista*, G.R. No. 210551, 30 June 2015.
117 Supra at p. 17.
118 Supra at note 58.

...

Sec. 146. *Payment of Business Taxes.* -

(a) The taxes imposed under Section 143 **shall be payable for every separate or distinct establishment or place where business subject to the tax is conducted** and one line of business does not become exempt by being conducted with some other business for which such tax has been paid. The tax on a business must be paid by the person conducting the same.[119]

...

Simply stated, local government units only have the power to impose LBT on the privilege of doing business within their territorial jurisdictions.[120]

Thus, before addressing the other substantive questions, the Court first determines whether CBC was in fact carrying on a taxable business within Taguig City.

CBC HAD NO TAXABLE BUSINESS WITHIN TAGUIG CITY.

CBC argues that it is not liable to pay any LBT to Taguig City because its Taguig office is a mere administrative office where no commercial activity is undertaken nor any revenue or profit is being generated.

CBC's argument is well-taken.

It bears noting that the imposition of LBT is premised on the conduct of business or commercial activity within the taxing jurisdiction. The *situs* of taxation for LBT is determined by where the business is actually conducted, not merely where an office is located.

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119 Emphasis supplied and italics in the original text.

120 See *City of Davao and Bella Linda N. Tanjili, in her official capacity as City Treasurer of Davao City, v. Arc Investors, Inc.*, G.R. No. 249668, 13 July 2022.

As elucidated by the Supreme Court in the case of *City of Makati, v. Municipality of Bakun and Luzon Hydro Corporation*[121] (**City of Makati**), the decisive factor is whether the establishment performs functions directly tied to production or revenue generation and administrative offices which neither handle sales nor perform operational functions cannot be deemed subject to LBT merely because they exist within the LGU's territorial boundaries, to wit:

> ...
>
> The subject tax is a tax on business, particularly one that is expressly imposed on gross sales recorded. For this reason, it was relevant to the CTA's discussion to consider that invoices or records of all sales are not handled by LHC's Makati office, nor does it operate any aspect or primary purpose of LHC as provided in its Articles of Incorporation.
>
> ...
>
> The enumeration itself — factory, project office, plant, or plantation — reveals the character of the office contemplated by the provision. These are offices directly involved in production or operations; hence, the inescapable conclusion that **LHC's Makati office was a mere administrative office.**[122]
>
> ...

Similarly, in the case of *Iloilo Bottlers, Inc. v. City of Iloilo*[123], the Supreme Court clarified that only offices engaged in the consummation of sales transactions may be considered as conducting taxable business:

> ...
>
> Under the first system, **the manufacturer enters into sales transactions and invoices the sales at its main office where purchase orders are received and approved before delivery orders are sent to the company's warehouses, where in turn actual deliveries are made**. No warehouse sales are made; nor are separate stores maintained where products may be sold independently from the main office. The warehouses only serve as storage sites and delivery points of the products earlier sold at the main office. Under the second system, **sales transactions are entered into and perfected at stores or warehouses maintained by the company.** Any one who desires to purchase the product may

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[121] G.R. No. 225226, 07 July 2020.
[122] Emphasis supplied.
[123] G.R. No. L-52019, 19 August 1988.

go to the store or warehouse and there purchase the merchandise. **The stores and warehouses serve as selling centers.**

Entities operating under the first system are NOT considered engaged in the separate business of selling or dealing in their products, independent of their manufacturing business. Entities operating under the second system are considered engaged in the separate business of selling.[124]

...

The Distributorship Agreement[125] between CBC and CCFPI reveals that CCFPI, as distributor, undertakes the sale of CBC's products in various localities:

...

2. THE PRODUCTS

By virtue of the above appointment, the DISTRIBUTOR [CCFPI] shall be responsible for the distribution and sale of the PRODUCTS, to the specified channels/outlets specified in Annex "B". The SUPPLIER [CBC] reserves the right to modify, add or remove specific products from the PRODUCTS handled by the DISTRIBUTOR [CCFPI]. Any addition or deletion in the PRODUCTS shall take effect after the issuance of one (1) week advance notice to the DISTRIBUTOR [CCFPI].

3. PRICES AND DISCOUNTS

The SUPPLIER [CBC] agrees to sell the PRODUCTS to the DISTRIBUTOR [CCFPI] at the prices specified in Annex "A", subject to the discounts therein provided.

...

5. SALES AND OTHER COMMITMENTS

The parties shall agree on the DISTRIBUTOR'S [CCFPI'S] total sales commitment (target volume) per Stock Keeping Unit, which the DISTRIBUTOR [CCFPI] shall break down per Sales Office on a monthly and weekly basis, a copy of which shall be furnished the SUPPLIER.

124 Emphasis supplied.
125 Exhibit "B", supra at note 47, pp. 348-349.

> **The DISTRIBUTOR [CCFPI] commits to purchase and resell the PRODUCTS to meet such target volume and to this end shall present to the SUPPLIER [CBC]** its Sales Operation Performance Report on a monthly basis in a format agreed upon by the parties, composing of the following[.][126]

...

Additionally, Lizaso's testimony corroborated that the Taguig office has no recorded sales; it merely receives funds from branch operations to cover administrative expenses, salaries and rentals, to wit:[127]

...

MR. GIL LIZASO, JR.:
We declared **One Hundred percent (100%) of our sales <u>on the specific area</u>** and the business tax is **based on the actual sales**, Ma'am.

...

ATTY. MICHELENE MALASA-MUEGO:
Mr. Witness, you declared that you have an Administrative Office or Principal Office in Taguig?

MR.GIL LIZASO, JR.:
Yes, Ma'am.

ATTY. MICHELENE MALASA-MUEGO:
No sales?

MR. GIL LIZASO, JR.:
Yes, Ma'am.

ATTY. MICHELENE MALASA-MUEGO:
So, how do you defray expenses in Taguig City, such as rentals and payment for salaries of employees? Where do you get the amount as payment for these expenses in Taguig City?

MR. GIL LIZASO, JR.:
The expenses from <u>sales of respective branch</u> is transferred to head Office, Ma'am.

---

126 Emphasis supplied.
127 TSN dated 28 September 2023, pp. 15-19.

COURT:
So, you get the sales from the other branch and transferred to Taguig as the Head Office and that's how you get the income?

MR. GIL LIZASO, JR.:
Yes, your Honor.

ATTY. MICHELENE MALASA-MUEGO:
So, for example in Exhibits "C" to "W" which you attached here as alleged payments for the Mayor's Taxes and Business Taxes in different provinces, those amounts are transferred or transmitted to Taguig City?

MR. GIL LIZASO, JR.:
Transferred plants to Taguig City then the head office will transfer again plants as to authorize to pay the expenses in the branch, Ma'am.

ATTY. ROY ORLANDO D. DOYON:
So, all the sales will go first to Taguig City, Sir?

MR. GIL LIZASO, JR.:
It will go first to the plants' respective bank accounts then it will be transferred to head office.

COURT:
Then the head office will transfer them back to the?

MR. GIL LIZASO, JR.:
It will transfer again to their respective disbursing banks of the plants.

ATTY. MICHELENE MALASA-MUEGO:
So, you mean to say, the question a while ago that I asked, the expenses for Taguig City, **Head Office will be taken out of the sales from different provinces** and then after the deductions, where did you get the taxes from there, Sir? The payment of BIR taxes of the National Government, Sir?

MR. GIL LIZASO, JR.:
The BIR taxes are paid in the Head Office of Taguig City, Ma'am.

ATTY. MICHELENE MALASA-MUEGO:
In Taguig City, Sir? Not in the respective provinces, Sir?

MR. GIL LIZASO, JR.:
No, Ma'am.

ATTY. MICHELENE MALASA-MUEGO:
So, after all the deductions in the Head Office, Sir then the money will go back to the respective plants for their expenses also?

MR. GIL LIZASO, JR.:
Not in the plants, Ma'am.[128]

...

Evidently, each branch of CBC, corresponding to a manufacturing plant operated by its toll manufacturer, CCFPI, functions as an independent selling center. The sales transactions are consummated at the branch level, and only the proceeds thereof are subsequently remitted to the Taguig office to fund its administrative expenses. The Taguig office, therefore, performs a purely coordinating and supervisory role, devoid of any sales or income-generating activity.

Corroborating this, CBC submitted its notarized Application Form[129] and Billing Statement issued by Taguig City[130], both expressly designating the Taguig office as "ADMIN OFFICE ONLY (HEAD OFFICE)"; its Amended Articles of Incorporation[131], identifying the same as its principal place of business; its Sworn Certification of Gross Receipts[132], affirming that no income is generated in Taguig City; and proofs of LBT payments[133] made in the LGUs where its manufacturing branches operate. These circumstances coalesce to reasonably affirm the purely administrative and non-commercial character of CBC's Taguig office.

In light of the foregoing, the Court finds that CBC's Taguig office, being a mere administrative office without operational or revenue-producing functions, falls outside the ambit of the LBT imposed by Taguig City.

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128 Emphasis and underscoring supplied.
129 Supra at note 10.
130 Supra at note 11.
131 Exhibit "X", RTC Records, Volume I, pp. 383-398.
132 Id., p. 52.
133 Exhibits "C" to "W", id., pp. 358-382.

30-70 SALES ALLOCATION UNDER SECTION 150 OF THE LOCAL GOVERNMENT CODE, AS AMENDED, DOES NOT FIND APPLICATION IN THE INSTANT CASE.

Section 150 of the LGC of 1991, as amended, categorically states:

...
Sec. 150. *Situs of the Tax.* –

(a) For purposes of collection of the taxes under Section 143 of this Code, **manufacturers**, assemblers, repackers, brewers, distillers, rectifiers and compounders of liquor, distilled spirits and wines, millers, producers, exporters, wholesalers, distributors, dealers, **contractors**, banks and other financial institutions, and other businesses, maintaining or operating branch or sales outlet elsewhere shall record the sale in the branch or sales outlet **making the sale or transaction**, and **the tax thereon shall accrue** and shall be **paid to the municipality where such branch or sales outlet is located**. In cases where there is no such branch or sales outlet in the city or municipality where the sale or transaction is made, the sale shall be duly recorded in the principal office and the taxes due shall accrue and shall be paid to such city or municipality.

(b) The following sales allocation shall apply to manufacturers, assemblers, contractors, producers, and exporters with factories, project offices, plants, and plantations in the pursuit of their business:

(1) Thirty percent (30%) of all sales recorded in the principal office shall be taxable by the city or municipality where the principal office is located; and
(2) Seventy percent (70%) of all sales recorded in the principal office shall be taxable by the city or municipality where the factory, project office, plant, or plantation is located.

(c) In case of a plantation located at a place other than the place where the factory is located, said seventy percent (70%) mentioned in subparagraph (b) of subsection (2) above shall be divided as follows:

(1) Sixty percent (60%) to the city or municipality where the factory is located; and

(2) Forty percent (40%) to the city or municipality where the plantation is located.

(d) In cases where a **manufacturer**, assembler, producer, exporter or **contractor** has two (2) or more factories, project offices, plants, or plantations located in different localities, the seventy percent (70%) sales allocation mentioned in subparagraph (b) of subsection (2) above shall be prorated among the localities where the factories, project offices, plants, and plantations are located in proportion to their respective volumes of production during the period for which the tax is due.

(e) The foregoing sales allocation shall be applied irrespective of whether or not sales are made in the locality where the factory, project office, plant, or plantation is located.

...

Plain as a pikestaff, allocation kicks in only when the taxpayer has no branch or sales outlet in the LGU where sales are made and the sales are recorded at the principal office, paired with the presence of a factory, project office, plant, or plantation. Here, CBC's sworn certification shows that for every LGU where sales or receipts occurred, CBC maintained a registered branch and recorded the sales there:

***Per* Sworn Certification**[134]	**Certification of gross sales and/or payment details for 2016 LBT *per* branch (Exhibit No.)**
San Fernando	P
Naga	O
Calasiao	D
Ilagan	J
Ilocos	K
Sta. Rosa	S
Meycauayan	M
Canlubang	F
Bacolod	C
Cebu	G
Iloilo	L
Tacloban	T
Tagbilaran	U
Misamis	N

134 Supra at note 132.

Davao	I
Zamboanga	W

In the case of *City of Makati*, the Supreme Court categorically held that the rules on tax allocation in relation to tax *situs* under Section 150[135] of LGC of 1991, as amended, come into play when a business subject to it does not operate a branch or sales office outside of its principal office where all sales are recorded, but has a factory, project office, plant, or plantation situated in different localities, whether or not sales are made in these localities. That is not the case here. CBC has branches outside the principal office where sales were recorded. **Accordingly, under Section 150 (a) of the LGC, as amended, the LBT therefore accrues to each branch LGU, and the 30-70 allocation in Section 150(b)-(e) of the LGC, as amended, does not come into play.**

CBC IS NOT ENTITLED TO LEGAL INTEREST.

CBC contends that, in addition to the amount it paid under protest, it is entitled to legal interest on the refund, arguing that the collection was attended with arbitrariness, invoking *Atlas Fertilizer Corporation v. Commissioner of Internal Revenue*[136] (**Atlas**).

We disagree.

In *Atlas*, the Supreme Court clarified the circumstances under which legal interest may be awarded on tax refunds. The Court held:

> ...
> But the more important consideration is the well settled rule that in the absence of a statutory provision clearly or expressly directing or authorizing payment of interest on the amount to be refunded to taxpayer, the Government cannot be required to pay interest. **Likewise, it is the rule that interest may be awarded only when the collection of tax sought to be refunded was attended with arbitrariness. Such circumstance is not present in the case at bar as the payment of compensating taxes in question was made**

135 Supra at note 71.
136 G.R. Nos. L-26686 & L-26698, 30 October 1980.

> **freely and voluntarily and conformably with the partial exemption granted by Republic Act No. 901.**[137]
>
> ...

It must be emphasized that the award of interest on tax refunds, *albeit* pertaining to national taxes, is the exception, not the rule, and is strictly limited to instances where the law expressly authorizes it or where the tax collection was arbitrary.[138]

Similarly, in the present case, there is no provision in the LGC of 1991, as amended, nor in its IRR, that authorizes the payment of interest on tax refunds under Section 196[139] of the LGC of 1991, as amended.

The Supreme Court has reiterated in *Hon. Lourdes R. Jose, in her capacity as City Treasurer of City of Caloocan v. Tigerway Facilities and Resources, Inc.*[140], also involving Section 196 of the LGC of 1991, as amended, that:

> ...
>
> [I]nterest on tax refunds is only permissible when authorized by law or in instances where the tax collection was attended by arbitrariness. 'Arbitrariness presupposes **inexcusable or obstinate disregard of legal provisions**.' These conditions are notably absent in the present case.
>
> ...

CBC's payment of the LBT was made in compliance with Section 196 of the LGC, as amended, and was not the result of any inexcusable or obstinate disregard of law by Taguig City and its City Treasurer. The records do not show any element of arbitrariness in the collection. As in *Atlas*, the payment was made freely and voluntarily, and the subsequent claim for refund was processed in accordance with the law.

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[137] Supra at note 136; emphasis supplied.

[138] See *Philex Mining Corporation v. Commissioner of Internal Revenue, and the Court of Appeals*, G.R. No. 120324, 21 April 1999; see *Banco De Oro, et. al. v. Republic of the Philippines, et. al.*, G.R. No. 198756 (Resolution), 16 August 2016.

[139] **Sec. 196.** *Claim for Refund of Tax Credit.*

[140] G.R. No. 247331, 26 February 2024; emphasis supplied.

WHEREFORE, premises considered, the Petition for Review filed by the City of Taguig and Atty. Voltaire L. Enriquez, in his capacity as OIC-City Treasurer-City of Taguig on 16 September 2024 is hereby **DENIED** for lack of merit.

On the other hand, the Petition for Review filed by Cosmos Bottling Corporation on 05 September 2024 is hereby **PARTIALLY GRANTED**. The assailed Decision dated 14 May 2024 and assailed Resolution dated 10 July 2024 of the Regional Trial Court (RTC) of Taguig City, Branch 271, in Civil Case No. 064-TG, are **MODIFIED** as follows:

a. The City of Taguig and Atty. Voltaire L. Enriquez, in his capacity as OIC-City Treasurer-City of Taguig, is hereby **ORDERED** to **REFUND** or **ISSUE TAX CREDIT** in favor of Cosmos Bottling Corporation in the amount of **₱4,401,121.62**, representing local business tax (LBT) paid under protest for calendar year (CY) 2016; and

b. The claim of Cosmos Bottling Corporation for legal interest is **DENIED** for lack of merit.

SO ORDERED.

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

I CONCUR:

LANEE S. CUI-DAVID
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

JEAN MARIE A. BACORRO-VILLENA
Associate Justice
First Division Acting Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the First Division Acting Chairperson's Attestation, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice