REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

THIRD DIVISION

QUEZON CITY as represented by MR. EDGAR T. VILLANUEVA, in his capacity as the TREASURER OF QUEZON CITY,
Petitioner,

- versus -

DKT HEALTH, INC.,
Respondent.

CTA AC No. 304

Members:
MANAHAN, *Chairperson,*
REYES-FAJARDO, *and*
ANGELES, *JJ.*

Promulgated:
JUN 13 2025
4:01 pm

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DECISION

REYES-FAJARDO, J.:

The Local Government Code of 1991 (LGC) empowers cities[1] to impose local business tax on the revenues of wholesalers, distributors, or dealers in any article of commerce of whatever kind or nature (*i.e.*, non-essential) up to a maximum rate of 0.75%.[2] If the enterprise deals with essential commodities, it shall be entitled to a lower tax rate not exceeding ½ of the regular rate.[3]

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[1] Section 151 of the LGC provides, "Scope of Taxing Powers. — Except as otherwise provided in this Code, the city may levy the taxes, fees, and charges which the province or municipality may impose: Provided, however, That the taxes, fees and charges levied and collected by highly urbanized and independent component cities shall accrue to them and distributed in accordance with the provisions of this Code.

The rates of taxes that the city may levy may exceed the maximum rates allowed for the province or municipality by not more than fifty percent (50%) except the rates of professional and amusement taxes."

[2] Apart from its authority to impose local business taxes in the same manner as municipalities in Section 143 of the LGC, cities may impose a local business tax rate that is 50% higher than the rate municipalities are authorized to impose (See Section 151 of the LGC, supra). The maximum (gross receipts exceeds ₱2 million) local business tax rate to be imposed by municipalities under Section 143(b) of the LGC is 0.50%; 50% of which is 0.25% (0.25% = 0.50% x 50%). Thus, cities may impose a maximum local business tax rate of 0.75% (0.75% = 0.50% + 0.25%).

[3] Section 143(c), LGC.

The subject of this case is the local government assessment of taxpayer's products, consisting of pills, condoms, injectables, lubricants, and medical devices, classified as non-essential commodities. The trial court *a quo* invalidate the assessment based on three grounds: (1) prescription; (2) violation of due process, and (3) a finding that all products are essential medicine (under the umbrella of essential commodities), entitled to a lower preferential rate (0.33%).

Upon careful review, this Court finds that prescription applies only for the first quarter of 2016. Also, We uphold the trial court's classification, with modification: while pills, condoms, injectables, and medical devices are properly essential medicine, lubricants do not fall within such classification. Notwithstanding these modified findings, We affirm the trial court's ruling on the principal ground of violation of due process. Collection of tax from a taxpayer without according reasonable opportunity for its defense is illegal. Any amount so collected shall be subject to refund.

We discuss below.

Before the Court is a Petition for Review[4] filed by Quezon City, represented by Edgard T. Villanueva, in his capacity as the Treasurer of Quezon City (City Treasurer), assailing the Regional Trial Court, Branch 216, Quezon City (RTC) Decision[5] and Order[6] promulgated on September 22, 2022 and August 7, 2023, respectively. In the assailed issuances, the RTC, *first*, ordered the refund or credit of local business taxes erroneously paid by herein respondent DKT Health, Inc. (DKT Health) amounting to ₱5,891,693.62 and, *second*, cancelled the deficiency local business tax assessments against DKT Health amounting to ₱8,833,169.47 for being void.

FACTS

Following Section 151 of the Local Government Code, the Quezon City Revenue Code (QCRC), as amended by Quezon City Ordinance No. SP-2236, S-2013,[7] imposes, among others, a tax on its local wholesalers, distributors, or dealers. Businesses that yield gross receipts of at least ₱2 million are imposed the maximum tax; in which case, their annual local business tax shall amount to ₱15,000 plus 0.66%

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4 Docket, pp. 5-31.
5 Penned by Rafael G. Hipolito, Pairing Judge, RTC. Docket, pp. 34-45.
6 Penned by Rafael G. Hipolito, Pairing Judge, RTC. Docket, pp. 47-61.
7 *An Ordinance Further Amending the Tax Rate of Certain Items Under Chapter Three (Tax on Business) and Chapter Four (Other Taxes) of the Quezon City Revenue Code in Accordance with the Limitations Set-Forth in the Local Government Code*, December 20, 2013.

of its gross receipts exceeding ₱2 million (Regular Rate).[8] Similarly, if the enterprise deals with essential commodities, it shall be entitled to a lower tax rate of 0.33% (Preferential Rate), which is ½ of the Regular Rate,[9] thus:

Goods	Max[10] Tax Rate	Details
Non-essential	0.66% Regular Rate	₱15,000 plus 0.66% of its gross receipts exceeding ₱2M.
Essential	0.33% Preferential Rate	₱15,000 plus 0.33% of its gross receipts exceeding ₱2M.

Under the LGC[11] and QCRC, as amended, medicine is regarded as essential commodities.

Taxpayer Background.

DKT Health is a domestic corporation duly registered with the Securities and Exchange Commission. Its principal office is located at 80 E. Rodriguez Avenue, Bagumbayan, Quezon City.[12] Its primary purpose is "to manufacture, or buy or otherwise acquire either from local pharmaceutical companies or by importation, and repack, sell on a wholesale basis or otherwise distribute, for domestic consumption or for export, *drugs, medicines, pharmaceutical products, hospitals, and medical equipment, medical devises and supplies, women's healthcare products and any other products* for the prevention of [sexually-transmitted diseases], HIV/AIDS infection and unwanted pregnancies and *for the promotion of family planning and reproductive health,* human sexuality, maternal and child health and general public health..."[13]

Quezon City Local Business Tax for CY 2016-2020.

For the years 2016 to 2020, Quezon City issued tax bills that classified DKT Health's pharmaceutical products as *essential commodities.* Thus, DKT Health's local business tax was computed using the *preferential rate* (0.33%) under Section 19(c) of the QCRC, as

8 Section 19(b), QCRC, as amended.
9 Section 19(c), QCRC, as amended.
10 For businesses that yield gross receipts of at least ₱2 million.
11 Section 143(c), LGC.
12 Par. 3, Joint Stipulation of Facts and Issues, RTC Records, pp. 183-184.
13 Par. 4, Joint Stipulation of Facts and Issues, RTC Records, p. 184.

amended. DKT Health paid the corresponding local business taxes as billed,[14] *viz.*:

	2016[15]		2017[16]		2018[17]		2019[18]		2020[19]
Gross Receipts	₱1,197,244,786.71		₱1,318,545,250.00		₱1,374,285,378.11		₱1,437,062,966.32		₱1,549,678,785.00
x Rate	0.3301%		0.3301%		0.3301%		0.3301%		0.3301%
Tax Billed/Paid	₱	3,952,557.79	₱	4,352,849.33	₱	4,536,791.74	₱	4,743,957.46	₱ 5,115,589.99

However, in Business Tax Bill No. B-2021-03-08-H7-005079 dated March 8, 2021,[20] Quezon City re-classified all of DKT Health's products as *non-essential commodities* and computed DKT Health's local business tax for the first quarter of 2021 using the *regular rate* (0.66%) under Section 19(b) of the QCRC. Quezon City charged DKT Health the amount of ₱7,515,271.89, which included local business tax for the first quarter of 2021 (₱2,383,604.10) and an "adjustment" representing deficiency local business taxes relative to 2016, 2017, 2018, 2019, and 2020 (₱5,115,589.99), *viz.*:

Kind of Fee/Tax		**Amount**
Mayor's Permit	₱	450.00
City Tax		2,383,604.10
Garbage Fee		812.50
Sanitary Fee		700.00
Building Insp. Fee		50.00
Electrical Insp. Fee		20.00
Plumbing Insp. Fee		7.00
Signboard		50.00
New Registration Plate/Sticker		250.00
Zoning Fee		545.00
Penalty/Interest		-
Tourism		1,000.00
QCBRD		100.00
Adjustment		5,115,589.99
Discount		-
Penalty for Delinquency		-
Special Permit		-
Additional Fees		-
CTC		11,130.00
FSIF RA 9514		963.30
Total	₱	**7,515,271.89**

[14] Par. 7, Joint Stipulation of Facts and Issues, RTC Records, p. 185.
[15] RTC Records, p. 370 (Exh. P-9-1).
[16] RTC Records, p. 371 (Exh. P-9-2).
[17] RTC Records, p. 372 (Exh. P-9-3).
[18] RTC Records, p. 373 (Exh. P-9-4).
[19] RTC Records, p. 374 (Exh. P-9-5).
[20] RTC Records, p. 380.

DKT Health paid this amount on March 26, 2021,[21] as well as the bills in the subsequent quarters, under protest.[22]

The City Treasurer issued Letter of Authority No. 02637 (LOA),[23] empowering Revenue Examiners Raul A. Arcangel and Elmer G. Donasco, as well as Supervising Revenue Examiner Emelyn T. Visperas, to examine DKT Health's books of accounts and other pertinent records "to ascertain, assess, and collect the correct amount of taxes, fees, and charges due during the period from unexamined years up to December 31, 2020." DKT Health received a copy of the LOA on June 9, 2021.[24]

Thus, on July 19, 2021, DKT Health received a two-page Assessment Report[25] from the City Treasurer's Office of Quezon City, where the nature of its business was re-classified from essential to non-essential commodities. Instead of applying the preferential rate to all of its sales, DKT Health's product sales was divided into two categories: (1) essential commodities subject to the preferential rate and (2) non-essential commodities subject to the regular rate, *viz.*:

	2016	**2017**	**2018**
Per Investigation			
Gross Receipts - Essential	₱1,046,128,519.99	₱1,128,927,774.00	₱1,149,895,207.00
Tax Rate	0.3302%	0.3301%	0.3301%
Subtotal	₱ 3,453,874.12	₱ 3,727,111.66	₱ 3,796,304.19
Gross Receipts - Non-Essential	₱ 183,006,419.96	₱ 186,522,702.00	₱ 218,428,461.00
Tax Rate	0.6618%	0.6618%	0.6615%
Subtotal	₱ 1,211,142.38	₱ 1,234,349.84	₱ 1,444,927.85
Local Business Tax per Investigation	₱ 4,665,016.50	₱ 4,961,461.50	₱ 5,241,232.04
Less: Actual Payment	3,952,557.79	4,352,849.33	4,536,791.74
Deficiency Local Business Tax	₱ 712,458.71	₱ 608,612.17	₱ 704,440.30
Add: Other Deficiency Taxes			
Rental Income	85,110.04	91,284.16	95,848.42
Garbage Fee			
Total Deficiency Taxes	₱ 797,568.75	₱ 699,896.33	₱ 800,288.72
Add: Surcharge	199,392.19	174,974.09	200,072.18

21 Business Tax Bill No. B-2021-03-08-H7-005079 dated April 22, 2021 (Exhibit "P-11-2," RTC Records, p. 381) bore the following notation: "LAST PAYMENT: 2021 1-1 03/26/2021."

22 Par. 9, Joint Stipulation of Facts and Issues, RTC Records - Vol. 1, p. 185.

23 Exhibit "P-7," RTC Records - Vol. 2, p. 368.

24 Exhibit "P-7-1," RTC Records - Vol. 2, p. 368.

25 Exhibit "R-1," RTC Records, p. 193. Referred to by DKT Health as "Notice of Assessment," RTC Records, p. 369.

Interest		717,811.88		629,906.70		720,259.85
Total Assessment	₱	1,714,772.82	₱	1,504,777.12	₱	1,720,620.75
		2019		**2020**		**2021**
Per Investigation						
Gross Receipts - Essential		₱1,210,200,618.00		₱1,281,432,187.00		₱1,240,586,018.00
Tax Rate		0.3301%		0.3301%		0.3301%
Subtotal	₱	3,995,312.04	₱	4,230,376.22	₱	4,095,583.86
Gross Receipts - Non-Essential	₱	223,129,637.00	₱	258,013,713.00	₱	195,972,350.56
Tax Rate		0.6615%		0.6613%		0.6617%
Subtotal	₱	1,475,955.61	₱	1,706,190.51	₱	1,296,717.52
Local Business Tax per Investigation	₱	5,471,267.65	₱	5,936,566.73	₱	5,392,301.38
Less: Actual Payment		-4,743,957.46		-5,115,589.99		-4,767,208.20
Deficiency Local Business Tax	₱	727,310.19	₱	820,976.74	₱	625,093.18
Add: Other Deficiency Taxes						
Rental Income		83,308.14		21,403.28	₱	151,010.45
Garbage Fee						1,625.00
Total Deficiency Taxes	₱	810,618.33	₱	842,380.02	₱	777,728.63
Add: Surcharge		202,654.59		210,595.01		-
Interest		638,361.94		410,660.26		-
Total Assessment	₱	1,651,634.86	₱	1,463,635.29	₱	777,728.63

The total deficiency local business tax due from DKT Health relative to 2016, 2017, 2018, 2019, 2020 and 2021 amounted to ₱3,717,579.48, *viz.*:

Year		Amount
2016	₱	1,714,772.82
2017		1,504,777.12
2018		1,720,620.75
2019		1,651,634.86
2020		1,463,635.29
2021		777,728.63
Total Deficiency Tax Assessment	₱	8,833,169.47
Less: Payment[26]		5,115,589.99
Net Deficiency Tax Liability	₱	3,717,579.48

Revenue Examiners Arcangel and Donasco signed the notice, disclosing that they have "examined and evaluated the foregoing accomplished data and assessment for and concurs with the findings and recommendations of the deputy." The notice only bore this notation:

[26] Corresponds to the "adjustment" reflected on Business Tax Bill No. B-2021-03-08-H7-005079 dated March 8, 2021, and included in the local business tax payment for the first quarter of 2021.

> FINDINGS AND RECOMMENDATIONS:
> Reclassification: Additional modification on the nature of business of non-essential commodities. Debit adjustment of ₱5,115,589.99 as per O.R. # B-2021-000-197-0002174 dated March 26, 2021.

DKT Health filed its Protest Letter on September 16, 2021. In the absence of a detailed explanation supporting the assessment, DKT Health prepared a document designated as "Sales Breakdown - 2016 to 2020."[27] On its own, it worked out the essential and non-essential components of its annual sales. It appeared that Quezon City treated pills and injectables as essential commodities subject to the preferential rate, and condoms, lubricants, and medical devices as non-essential commodities subject to the regular rate.

When Quezon City did not act on the protest[28] within the 60-day period of resolution set out in Section 195 of the LGC, DKT Health appealed said inaction to the RTC.

RULING OF THE TRIAL COURT

The trial court ruled in favor of DKT Health; that its products are essential commodities subject to the preferential rate (0.33%) and that the deficiency local business taxes for 2016 to 2021, where some of the products were regarded as non-essential commodities subject to the regular rate (0.66%), were paid in error.

Thus, in the Assailed Decision, Quezon City was ordered to refund or credit the amount of ₱5,891,693.62, representing erroneously paid local business taxes, computed as follows:

Local business tax assessment for 2021	₱ 776,103.63
Local business tax assessment for 2016-2020, paid	5,115,589.99
Amount ordered to be refunded	₱ 5,891,693.62

Later on, in the Assailed Order, the RTC cancelled Quezon City's 2016-2021 deficiency tax assessments in the aggregate amount of ₱8,833,169.47, against DKT Health.

[27] Par. 12, Joint Stipulation of Facts and Issues, RTC Records, p. 186; RTC Records pp. 194-199.
[28] Par. 14, Joint Stipulation of Facts and Issues, RTC Records, p. 186.

ASSIGNED ERRORS

Petitioner Quezon City imputes the following errors upon the trial court:

I.

THE TRIAL COURT COMMITTED SERIOUS BUT REVERSIBLE ERROR WHEN IT FAILED TO EXPRESSLY STATE CLEARLY AND DISTINCTLY IN THE ASSAILED DECISION AND ASSAILED RESOLUTION THE FACTAS AND LAWS ON WHICH THEY ARE BASED.

II.

THE TRIAL COURT COMMITTED SERIOUS BUT REVERSIBLE ERROR WHEN IT HELD THAT RESPONDENT DKT'S SUBJECT PRODUCTS ARE CONSIDERED MEDICINE WHEN THE LAW AND JURISPRUDENCE PROVIDE OTHERWISE.

III.

THE TRIAL COURT COMMITTED SERIOUS BUT REVERSIBLE ERROR WHEN IT HELD THAT THE PRESCRIPTION ALREADY SET IN ON PETITIONER QUEZON CITY'S RIGHT TO ASSESS RESPONDENT DKT'S TAX LIABILITIES FOR THE YEAR 2016.

IV.

THE TRIAL COURT COMMITTED SERIOUS BUT REVERSIBLE ERROR WHEN IT RULED THAT PETITIONER QUEZON CITY INCORRECTLY COMPUTED RESPONDENT DKT'S DEFICIENCY INTEREST FOR THE YEARS 2016 TO 2019 DESPITE PETITIONER QUEZON CITY'S CLEAR LEGAL BASIS THEREFOR.

V.

THE TRIAL COURT COMMITTED SERIOUS BUT REVERSIBLE ERROR WHEN IT RULED THAT THE SUBJECT NOTICE OF ASSESSMENT FAILED TO INDICATE THE "BASIS" THEREOF AS REQUIRED UNDER THE LAW DESPITE THE SUBJECT NOTICE OF ASSESSMENT CONTAINING THE REQUIRED CONTENTS UNDER THE LAW.

VI.

THE TRIAL COURT COMMITTED SERIOUS BUT REVERSIBLE ERROR WHEN IT RULED THAT RESPONDENT DKT IS ENTITLED TO TAX REFUND OR CREDIT.

ISSUES

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Whether the trial court erred in ordering a refund or credit in favor of DKT Health depends on the validity and correctness of the local business tax assessments issued by Quezon City. Resolving this controversy turns upon the following questions:

I. Was the deficiency local business tax assessment relative to taxable year 2016 barred by prescription?

II. Was DKT Health entitled to the preferential local business tax rate in the years 2016 to 2021?

— Are DKT Health's products (*e.g.*, pills, condoms, injectables, lubricants, and medical devices) considered essential medicine by reason of its inclusion in the Philippine National Drug Formulary?

III. Did Quezon City comply with due process requirements in issuing the Assessment Report?

— Was Quezon City required to state the legal and factual bases of its assessments in the Assessment Report?
— Was the statement of the nature of taxes, fees, and charges, as well as its corresponding amounts sufficient for purposes of allowing DKT Health to set up an effective protest?

OUR RULING

The Petition for Review is unmeritorious.

The RTC's directive for a refund or credit was proper, being as a necessary consequence of the cancellation of the assessment. While this Court ultimately affirms the trial court's conclusion that the that the assessment must be set aside, We do so based on modified findings. Specifically, the assessment is set aside for violation of due process; as to the 2016 assessment, on the additional ground of prescription; and finally, for all pharmaceutical products—except for lubricants, on the ground of erroneous classification.

Quezon City's local business tax assessment for the first quarter of 2016 was barred by prescription.

Section 194(a) of the LGC provides that cities are given five years from the date local taxes become due to issue an assessment.[29] Quezon City local business taxes shall be computed based on the taxpayer's gross sales or receipts for the preceding calendar year;[30] these shall accrue on the first day of January of each year and shall be payable within the first 20 days of each subsequent quarter.[31] To be clear, there is a timing difference between the accrual and payment of local business taxes; it accrues at the start of each calendar year[32] and continues to do so for every quarter the rest of the year, but it does not become due for payment until 20 days after the close of each quarter.[33]

In other words, the five-year period to assess 2016 local business taxes shall be reckoned from the deadline for each quarterly payment.

Thus, at the time of the Assessment Report's issuance on June 4, 2021, the right to assess local business taxes relative to the first quarter of 2016 had already prescribed, *viz.*:

Quarter	Due Date	Last Day to Assess
1	April 20, 2016	April 20, 2021
2	July 20, 2016	July 20, 2021
3	October 20, 2016	October 20, 2021
4	January 20, 2016	January 20, 2022

The RTC is correct that DKT Health's products —pills, condoms, injectables, and medical devices—are considered essential medicines. However, lubricants are not essential medicines.

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[29] Section 194(a) of the LGC provides, "Local taxes, fees, or charges shall be assessed within five (5) years from the date they became due. No action for the collection of such taxes, fees, or charges, whether administrative or judicial, shall be instituted after the expiration of such period[.]"

[30] Section 19(b), QCRC.

[31] Section 20, QCRC.

[32] Pursuant to Section 166 of the LGC.

[33] Section 165 of the LGC provides, "Unless otherwise provided in this Code, the tax period of all local taxes, fees and charges shall be the calendar year. Such taxes, fees and charges may be **paid in quarterly installments.**" On the other hand, Section 166 of the LGC provides, "Unless otherwise provided in this Code, all local taxes, fees, and charges shall **be paid within the first twenty (20) days of January or of each subsequent quarter, as the case may be.**" (Boldfacing supplied)

Section 4(c) of Republic Act No. 9502 or the **Cheaper Medicines Act,**[34] provides a general definition of "drugs and medicines" as any chemical compound or biological substance, other than food, intended for use in the treatment, prevention, or diagnosis of disease in humans or animals. This definition is further expanded by an express enumeration under Section 4 (c)(i) that includes "any article recognized in the Philippine National Drug Formulary (PNDF)" as falling within the scope of "drugs and medicines," to wit:

> SECTION 4. Definition of Terms. — For purposes of this Act, the following terms are to mean as follows: x x x
>
> (c) "Drugs and medicines" refers to **any chemical compound or biological substance**, other than food, intended for use in the treatment, prevention or diagnosis of disease in humans or animals, **including but not limited to**:
>
> **(1) any article recognized in the** official United States Pharmacopoeia-National Formulary (USP-NF), official Homeopathic Pharmacopoeia of the United States, Philippine Pharmacopoeia, **Philippine National Drug Formulary**, British Pharmacopoeia, European Pharmacopoeia, Japanese Pharmacopoeia, Indian Pharmacopoeia, any national compendium or any supplement to any of them;
>
> (2) any article intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in humans or animals;
>
> (3) any article other than food intended to affect the structure or any function of the human body or animals;
>
> (4) any article intended for use as a component of any articles specified in clauses (1), (2), and (3) not including devices or their components, parts, or accessories; and
>
> (5) herbal and/or traditional drugs which are articles of plant or animal origin used in folk medicine which are:
>
> (i) recognized in the Philippine National Drug Formulary;
>
> (ii) intended for use in the treatment or cure or mitigation of disease symptoms, injury or body defects in humans;
>
> (iii) other than food, intended to affect the structure or any function of the human body;

[34] Enacted on June 6, 2008.

(iv) in finished or ready-to-use dosage form; and

(v) intended for use as a component of any of the articles specified in clauses (i), (ii), (iii), and (iv) x x x (Boldfacing supplied)

This same general definition of "drugs and medicines," along with the expanded coverage to include any article listed in the PNDF, is likewise reflected in the Philippine Pharmacy Act.

Notably, Volume 1 of the PNDF is the *Essential Drugs List*: a register "prepared by the National Drug Committee in consultation with experts and specialists from organized professional medical societies, medical academe, and pharmaceutical industry," consisting of the "essential drugs which are needed by the majority of the population and should therefore be available at all times in appropriate dosage forms and in sufficient quantities."[35]

The RTC in the Assailed Order ruled that DKT Health's products—*pills, condoms, injectables,* ***lubricants*** *and medical devices*—are considered essential medicine. It cites Republic Act No. 10354, or the **Reproductive Health Act**, which directs that the PNDF to include various "family planning products" in its Essential Drugs List.

Indeed, Section 9 thereof, provides that the "[t]he National Drug Formulary shall include hormonal contraceptives, intrauterine devices and injectables, and other safe, legal, non-abortifacient and effective family planning products and supplies.[36]

We, however, find that while DKT Health's products such as pills, condoms, injectables, and medical devices, can be included in the essential drug list as "family planning products and services," lubricants do not qualify for inclusion.

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[35] Mandatory Use of Philippine National Drug Formulary Volume I as Basis for Procurement of Drug Products, Executive Order No. 49, January 21, 1993.

[36] Section 9 of the Reproductive Health Act provides, "The Philippine National Drug Formulary System and Family Planning Supplies. — The National Drug Formulary shall include hormonal contraceptives, intrauterine devices, injectables and other safe, legal, non-abortifacient and effective family planning products and supplies. The Philippine National Drug Formulary System (PNDFS) shall be observed in selecting drugs including family planning supplies that will be included or removed from the Essential Drugs List (EDL) in accordance with existing practice and in consultation with reputable medical associations in the Philippines. For the purpose of this Act, any product or supply included or to be included in the EDL must have a certification from the FDA that said product and supply is made available on the condition that it is not to be used as an abortifacient."

Section 3.01(hh), Rule 3 (Definition of Terms) and the Implementing Rules and Regulations (IRR) of the Reproductive Health Act, the provision cited by the trial court, enumerates the recognized modern family planting methods and products, both natural and artificial to include, *"oral contraceptive pills, condoms, injectables, intrauterine devices, No Scalpel Vasectomy (NSV), Bilateral Tubal Ligation (BTL), Sub-dermal implants, and Any other method deemed to be safe and effective by the DOH."*[37]

Notably, ***personal lubricants*** are absent from this list.

The Reproductive Health Act and its IRR provide an exclusive list. Items not expressly mentioned in the list shall not be deemed included on account of mere similarity or logical reasoning.

This is the rule statutory construction: that "the express mention of one person, thing, act, or consequence excludes all others."[38] *Expressio unius est exclusio alterius*—where a statute sets out an enumeration, it shall be expressly limited to certain matters and "may not, by interpretation or construction, be extended to others"[39] because "the legislature would not have made specified enumerations in a statute had the intention been not to restrict its meaning and to confine its terms to those expressly mentioned."[40]

Clearly, the Reproductive Health Act's concept of *family planning supplies* and thus of essential reproductive health medicines is confined to contraceptive methods. Its implementing rules define Modern *Methods of Family Planning (MFP)* as *"safe, effective, non-abortifacient and legal methods or health products, whether natural or artificial, that are registered with the [Food and Drug Administration] to plan pregnancy"*. In other words, the essential family planning commodities contemplated by the RH Law are those used to prevent or space pregnancies. Lubricants do not have any contraceptive effect or fertility-regulating function.

While Our review has led Us to conclude that sales of lubricants were properly subjected to the regular rate for purposes of computing

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37 Section 3.01(hh), IRR.

38 *Development Bank of the Philippines v. Commission on Audit*, G.R. No. 221706, March 13, 2018, 827 Phil 818-838.

39 *Lung Center of the Philippines v. Quezon City*, G.R. No. 144104, June 29, 2004, 477 Phil 141-160.

40 *Development Bank of the Philippines v. Commission on Audit*, G.R. No. 221706, March 13, 2018, 827 Phil 818-838.

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DKT Health's local business tax, the RTC was still correct in ordering the complete refund of the alleged deficiency local business tax payments relative to the years 2016-2021 for violation of due process, as will be discussed below.

The RTC did not err when it ruled that the Assessment Report was issued in violation of due process requirements.

Section 1, Article III of the 1987 Constitution pertinently provides that "[n]o person shall be deprived of life, liberty, or property without due process of law, ..." Specifically, to implement the foregoing constitutional mandate with regard to local tax, fee, or charge cases, Section 195 of the LGC, provides the requirements on what a local assessment should contain, which, in turn, would sufficiently appraise the concerned taxpayer of the legal and factual bases thereof, to wit:

> **Section 195.** *Protest of Assessment.* - When the local treasurer or his duly authorized representative finds that correct taxes, fees, or charges have not been paid, he shall issue a notice of assessment stating the nature of the tax, fee, or charge, the amount of deficiency, the surcharges, interests and penalties. ...

Yamane v. BA Lepanto Condominium Corporation (Yamane),[41] and more recently, in *National Power Corporation v. The Province of Pampanga (NPC),*[42] both condensed the requirements with respect to the *content* of a local tax, fee, or charge assessment as follows: (1) nature of the local tax, fee, or charge; (2) the amount of deficiency local tax, fee, or charge, including surcharges, interests, and penalties; and (3) the period covered by the local tax, fee, or charge assessment. Conversely, the lack of any one of these requirements would lead to violation of right to due process because said local assessment would fail to sufficiently appraise the party concerned of the legal and factual bases thereof.

Of the three (3) requirements enjoined by *Yamane* and *NPC,* Quezon City failed to comply with requirement (1). To be precise, the total deficiency local business tax due from DKT Health relative to 2016 to 2021 in the amount of ₱3,717,579.48, is based on the two-page

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41 G.R. No. 154993, October 25, 2025.

42 G.R. No. 230648, October 6, 2021.

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Assessment Report[43] prepared by the City Treasurer of Quezon City, which is reproduced below:

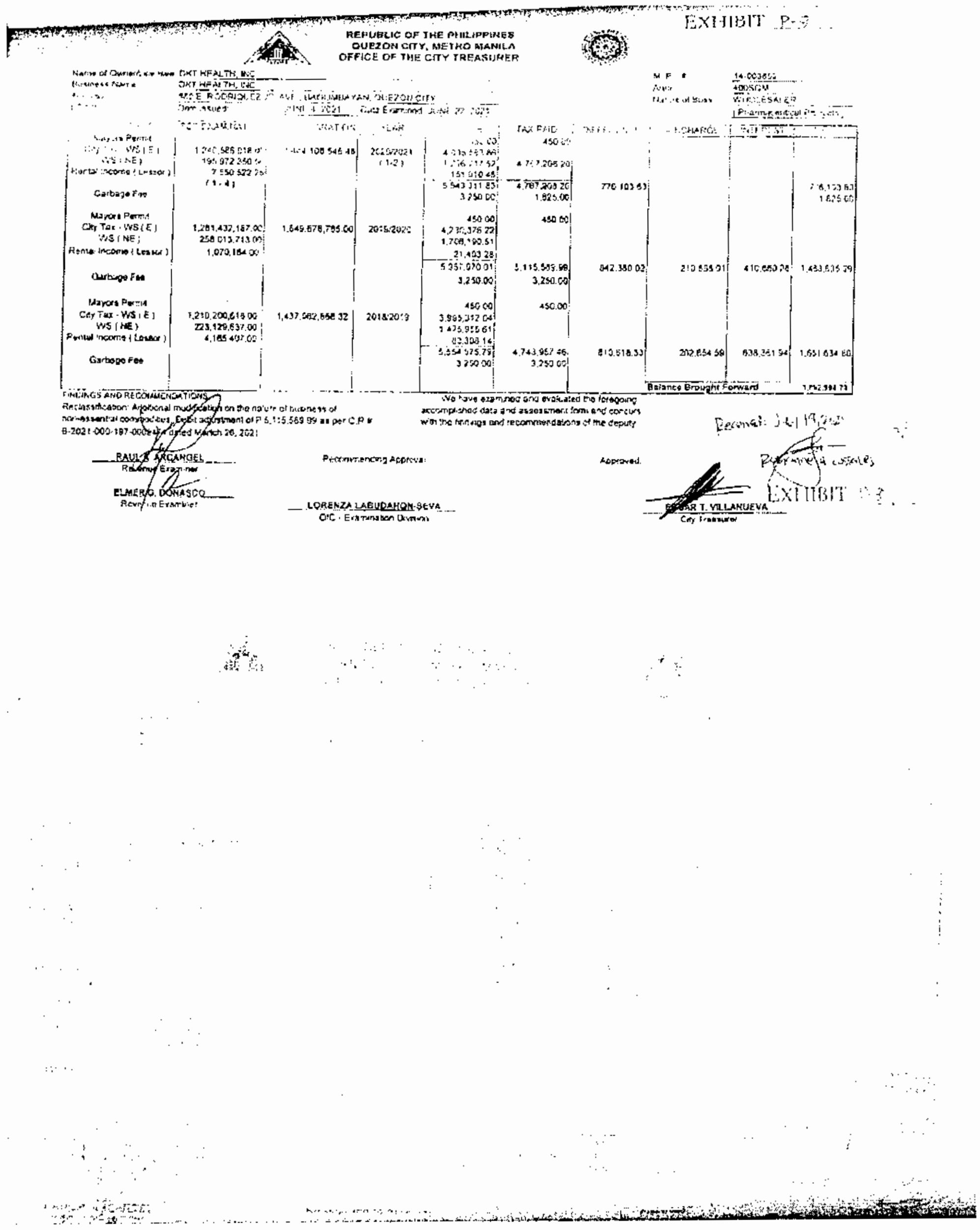

EXHIBIT P-9

REPUBLIC OF THE PHILIPPINES
QUEZON CITY, METRO MANILA
OFFICE OF THE CITY TREASURER

Name of Owner/Licensee: DKT HEALTH, INC.
Business Name: DKT HEALTH, INC.
Address: [illegible] E. RODRIGUEZ JR. AVE., BAGUMBAYAN, QUEZON CITY
Date Issued: JUNE 4, 2021 Date Examined: JUNE 22, 2021

M.P. #: 14-003652
Area: 400SQM
Nature of Bus.: WHOLESALER (Pharmaceutical Products)

Particulars	Amount Examined	Declaration	Year	Tax Due	Tax Paid	Deficiency	Surcharge	Interest	Total
Mayor's Permit				450.00	450.00				
City Tax - WS (E)	1,240,585,018.0[illegible]	[illegible] 108,546.48	2020/2021 (1-2)	4,015,557.86					
WS (NE)	195,972,250.[illegible]			1,216,717.52	4,747,206.20				
Rental Income (Lessor)	7,550,522.25 (1-4)			151,010.45					
				5,543,311.83	4,787,206.20	770,105.63			776,103.63
Garbage Fee				3,250.00	1,625.00				1,625.00
Mayor's Permit				450.00	450.00				
City Tax - WS (E)	1,281,432,187.00	1,649,678,785.00	2019/2020	4,230,376.22					
WS (NE)	258,013,713.00			1,708,190.51					
Rental Income (Lessor)	1,070,184.00			21,403.28					
				5,957,970.01	5,115,589.98	842,380.02	210,595.01	410,660.26	1,463,635.29
Garbage Fee				3,250.00	3,250.00				
Mayor's Permit				450.00	450.00				
City Tax - WS (E)	1,210,200,618.00	1,437,982,668.32	2018/2019	3,995,312.04					
WS (NE)	223,129,637.00			1,475,955.61					
Rental Income (Lessor)	4,185,407.00			83,308.14					
				5,554,575.79	4,743,957.46	810,618.33	202,654.59	638,361.94	1,651,634.80
Garbage Fee				3,250.00	3,250.00				
							Balance Brought Forward		1,752,994.73

FINDINGS AND RECOMMENDATIONS:
Reclassification: Additional modification on the nature of business of non-essential commodities. Debit adjustment of P 5,115,589.99 as per C.P # B-2021-000-187-000[illegible] dated March 26, 2021

We have examined and evaluated the foregoing accomplished data and assessment form and concurs with the findings and recommendations of the deputy

RAUL [illegible] ARCANGEL
Revenue Examiner

ELMER O. DONASCO
Revenue Examiner

Recommending Approval:

LORENZA LABUDAHON-SEVA
OIC - Examination Division

Approved:

[illegible]AR T. VILLANUEVA
City Treasurer

Received: July 19, 2021

EXHIBIT [illegible]

Glossing over the Assessment Report would reveal the following deficiencies:

First. The Assessment Report failed to state the QCRC provision/s from which said Report was based. *Yamane* considered the flaw just mentioned as disconcerting, much more, violative of the taxpayer's right to due process:

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43 Exhibit "R-1," RTC Records p. 193. Referred to by DKT Health as "Notice of Assessment," RTC Records, p. 369.

> Our careful examination of the record reveals a highly disconcerting fact. **At no point has the City Treasurer been candid enough to inform the Corporation, the RTC, the Court of Appeals, or this Court for that matter, as to what exactly is the precise statutory basis under the Makati Revenue Code for the levying of the business tax on petitioner** x x x Nowhere therein is there any citation made by the City Treasurer of any provision of the Revenue Code which would serve as the legal authority for the collection of business taxes from condominiums in Makati.
>
> Ostensibly, the notice of assessment, which stands as the first instance the taxpayer is officially made aware of the pending tax liability, should be sufficiently informative to apprise the taxpayer the legal basis of the tax. Section 195 of the Local Government Code does not go as far as to expressly require that the notice of assessment specifically cite the provision of the ordinance involved but it does require that it state the nature of the tax, fee or charge, the amount of deficiency, surcharges, interests and penalties. In this case, the notice of assessment sent to the Corporation did state that the assessment was for business taxes, as well as the amount of the assessment. There may have been *prima facie* compliance with the requirement under Section 195. However in this case, the Revenue Code provides multiple provisions on business taxes, and at varying rates. Hence, we could appreciate the Corporation's confusion, as expressed in its protest, as to the exact legal basis for the tax. **Reference to the local tax ordinance is vital, for the power of local government units to impose local taxes is exercised through the appropriate ordinance enacted by the *sanggunian*, and not by the Local Government Code alone.** What determines tax liability is the tax ordinance, the Local Government Code being the enabling law for the local legislative body.

Second. Said Assessment Report re-classified DKT Health's nature of business from essential to non-essential commodities. Instead of applying the preferential rate to all of its sales, DKT Health's product sales was divided into two categories: (1) essential commodities subject to the preferential rate and (2) non-essential commodities subject to the regular rate. Yet, Quezon City's apportionment of the tax base (i.e., gross receipts) into essential and non-essential was not accompanied by a detailed breakdown thereof, leaving DKT Health to work out and trace the apportionment on its own.[44] In the words of the court *a quo:* "the [Assessment Report] did not indicate the basis of [Quezon City] for the allocation of gross receipts into essential and non-essential. [DKT Health] cannot also validate the rates used by [Quezon City] since the former's recomputation of the alleged deficiency taxes using the rates under

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44 *Supra* note 27.

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Section 19(c) of the [QCRC] would yield a different result which is lower than the amount per the latter's audit."[45]

Third. With the lack of factual and legal bases on the Assessment Report, the same is simply a naked table of figures, no more, no less. *Commissioner of Internal Revenue v. United Salvage and Towage (Phils.), Inc. (USTI)*[46] considered tabulation of alleged deficiency taxes, *sans* an explanation from the taxing authority as to how the same was arrived at, as being violative of taxpayer's right to due process:

> It is clear from the foregoing that a taxpayer must be informed in writing of the legal and factual bases of the tax assessment made against him. The use of the word "shall" in these legal provisions indicates the mandatory nature of the requirements laid down therein.
>
> In the present case, a mere perusal of the FAN for the deficiency EWT for taxable year 1994 will show that **other than a tabulation of the alleged deficiency taxes due, no further detail regarding the assessment was provided by [the taxing authority].** Only the resulting interest, surcharge and penalty were anchored with legal basis. **[The taxing authority] should have at least attached a detailed notice of discrepancy or stated an explanation why the amount of ₱48,461.76 is collectible against [the taxpayer] and how the same was arrived at. Any short-cuts to the prescribed content of the assessment or the process thereof should not be countenanced** ...

Though *USTI* involves a national internal revenue tax case, the principle just cited equally applies to local tax cases because the taxpayer must be satisfactorily informed of the factual ang legal bases of the tax assessment, whether national or local.

On these accounts, Quezon City offended DKT Health's right to due process on local tax assessment.

Final Note.

The rulings in *City of Manila v. Cosmos Bottling Corp. (Cosmos)*,[47] *International Container Terminal Services, Inc. v. City of Manila (ICTSI)*,[48]

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[45] Decision dated September 22, 2022, Docket, p. 161.
[46] G.R. No. 197515, July 2, 2014.
[47] G.R. No. 196681, June 27, 2018.
[48] G.R. No. 185622, October 17, 2018.

Jose v. Tigerway Facilities and Resources, Inc. (Tigerway),[49] *City Treasurer of Parañaque v. Royal Cargo*,[50] underscore the distinction and proper application of Sections 195 and 196 of LGC. Section 195 applies when there is a formal assessment: even if flawed, once issued, it must be protested within 60 days to prevent finality. Section 196 governs when there is no assessment, such as when taxes are paid based on a demand lacking audit, computation, or legal basis. While a refund may be sought under either provision, the chosen remedy must align with the specific procedural requirement.

Here, although DKT Health's case anchors mainly on its initial payment of taxes in response to a tax bill issued during the permit renewal process, Quezon City later conducted a formal audit and issued a two-page Assessment Report received by DKT Health on July 19, 2021. Among the matters contained in said Assessment are: (1) DKT Health's initial payment of ₱5,115,589.99 for the years 2016 to 2020,[51] (2) its net deficiency local business tax liability in the amount of ₱3,717,579.48 for the years 2016 to 2020; and (3) additional deficiency amounting to ₱776,103.63 in excess of the local business taxes and fees that should have been paid by petitioner in 2021 had the taxes and fees been computed using the higher local business tax rate under Section 19(c) of the QCRC, as amended. Petitioner and Respondent both agreed that this is the Notice of Assessment[52] subject of this case. Therefore, DKT Health properly pursued its case pursuant to Section 195 of LGC.

WHEREFORE, in light of the foregoing considerations, the Petition for Review is **DENIED** for lack of merit. The assailed Regional Trial Court, Branch 216, Quezon City (RTC) Decision[53] and Order[54] promulgated on September 22, 2022 and August 7, 2023, respectively, are **AFFIRMED**.

SO ORDERED.

Marian Ivy F. Reyes-Fajardo
MARIAN IVY F. REYES-FAJARDO
Associate Justice

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[49] G.R. No. 247331, February 26, 2024.
[50] C.T.A. EB Case No. 2908 (C.T.A. AC No. 270), April 15, 2025.
[51] *Supra* note 26.
[52] Par. 10, Summary of Admitted Facts, Joint Stipulation of Facts and Issue, RTC Records, p. 186.
[53] Penned by Rafael G. Hipolito, Pairing Judge, RTC. Docket, pp. 34-45.
[54] Penned by Rafael G. Hipolito, Pairing Judge, RTC. Docket, pp. 47-61.

WE CONCUR:

CATHERINE T. MANAHAN
Associate Justice

HENRY S. ANGELES
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.

CATHERINE T. MANAHAN
Chairperson
Third Division

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Third Division 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.

ROMAN G. DEL ROSARIO
Presiding Justice