REPUBLIC OF THE PHILIPPINES
Court of Tax Appeals
QUEZON CITY

SECOND DIVISION

NLEX CORPORATION (FORMERLY MANILA NORTH TOLLWAYS CORPORATION) Petitioner,	**CTA AC NO. 297** Civil Case No. C-25725 (2020) *Present:*
vs.	**RINGPIS-LIBAN**, *Chairperson*, **MODESTO-SAN PEDRO**, and **FERRER-FLORES**, *JJ.*
THE CITY OF VALENZUELA, HON. ADELIA SORIANO, in her capacity as City Treasurer, and ATTY. ULYSSES L. GALLEGO, in his capacity as Officer-in-Charge of the Business Permit and Licensing Office, Respondents.	Promulgated: MAR 27 2025 4:05 p.m.

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RESOLUTION

FERRER-FLORES, J.:

For this Court's resolution is respondents' **Motion for Reconsideration (to the Decision dated 18 November 2024)** filed via registered mail on December 23, 2024, and received by the Court on January 2, 2025, with petitioner's **Comment (Re: Motion for Reconsideration dated 20 December 2024)** filed on January 6, 2025.

On November 18, 2024, the Court promulgated the Decision (assailed Decision) holding that petitioner was erroneously assessed for local business tax (LBT), surcharge, and the amount tagged as "Tax Credited" by respondent City of Valenzuela, the dispositive portion of which states as follows:

> **WHEREFORE**, in light of the foregoing considerations, the present *Petition for Review* is **PARTIALLY GRANTED**.
>
> Accordingly, the assailed Decision dated March 13, 2023 and Order dated May 22, 2023, both issued by the RTC – Branch 121, in Civil Case No. C-25725, insofar as the denial of petitioner's claim for refund relative

> to the Local Business Tax for taxable years 2012 to 2019 for lack of jurisdiction is concerned, are hereby **SET ASIDE**.
>
> Respondents are **ORDERED TO REFUND** to petitioner the amount of **₱3,814,290.27**, representing erroneously collected and paid Local Business Tax for *Signage Services*, the related *Surcharge & Interest*, and *Tax Credited*, for taxable years 2012 to 2019.
>
> **SO ORDERED.**

In their *Motion*, respondents argue that, contrary to the Court's findings, Section 146, in relation to Section 150, of Republic Act (R.A.) No. 7160,[1] or the Local Government Code (LGC) of 1991, are the applicable provisions in this case. Respondents insist that Section 146 of the LGC of 1991 explicitly provides that LBT is payable for every distinct establishment or place where business is conducted. As such, it is the proper basis for computing petitioner's LBT obligations on its gross receipts from its toll operations and signage services within the City of Valenzuela. Respondents contend that the mere absence of a branch, office, or outlet does not exempt petitioner from paying LBT, considering that the conduct of business activities that generate gross receipts lies within the respondents' jurisdiction.

Moreover, respondents assert that Section 150 of the LGC of 1991, which speaks of the situs of tax, was misapplied by the Court since the said Section pertains to the taxation of the "sales of goods", referring to businesses involving tangible goods and products. Respondents expound that, since petitioner operates under the "services" category, Section 150 of the LGC of 1991, which exclusively apply to businesses engaged in sales of goods, is irrelevant and cannot be invoked as a basis for exempting the petitioner from respondents' LBT imposition.

On the other hand, in its *Comment*, petitioner claims that respondents' *Motion* should be denied for failure to show the specific ground for their Motion pursuant to Rule 37 of the 2019 Amendments to the 1997 Rules of Civil Procedure.[2] Petitioner continues that, since respondents failed to point out specific errors committed in the assailed Decision, said *Motion* ought to be declared as *pro forma* considering that the arguments stated therein are mere rehash of their previous arguments which have all been aptly addressed by the Court.

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1 AN ACT PROVIDING FOR A LOCAL GOVERNMENT CODE OF 1991, took effect on January 1, 1992.

2 A.M. NO. 19-10-20-SC, took effect on May 1, 2020.

Petitioner also agrees with the Court in ruling that LBT cannot be levied by the respondents on petitioner's signage or installations because these are not branches, sales offices, or fixed places where business transactions are held. Considering that petitioner has no "branch" or "sales outlet" within the City of Valenzuela, respondents therefore had no authority and jurisdiction to impose and collect deficiency LBT including penalties on the gross receipts from its signage and installations. As such, petitioner submits that the LBT on its accrued gross receipts (including signage and installations) should be paid to Caloocan City, the locality who has jurisdiction over petitioner's principal office.

After consideration, the Court finds respondents' *Motion for Reconsideration* bereft of merit.

In their bid to have the assailed Decision reversed, respondents argue that Section 150 of the LGC of 1991 applies to sales of goods and, thus, not applicable to petitioner which is engaged in the sale of services.

The Court is not convinced.

Section 150 of the LGC of 1991 reads as follows:

> **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 was 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. *(Emphasis supplied)*

A reading of the aforecited Section shows that it applies to both sales of goods and services as the businesses enumerated above also include contractors, among others, which are engaged in the provision of services.

As such, as discussed in the assailed Decision, Sections 143(e),[3] 151,[4] and 150(a), of the LGC of 1991, as well as Section 243(a) and (b) of its Implementing Rules and Regulations (LGC IRR),[5] are the applicable provisions in this case.

Based on the LGC IRR, a *branch* or *sales office* is defined as a **fixed place** in a locality which conducts operations of the business as an extension of the principal office. By this definition, a branch or sales office presupposes that there is a fixed location or establishment **where business subject to the tax is conducted**. Notably, offices used only as **display areas of the products where no stocks or items are stored for sale**, although orders for the products may be received thereat, are **<u>not</u>** branch or sales offices.

In this case, petitioner's *signage installations* in Valenzuela City cannot be treated as a branch or sales office, or as a fixed place where business

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[3] **SEC. 143**. *Tax on Business*. – The municipality may impose taxes on the following businesses:

xxx

(e) On contractors and other independent contractors, xxx.

[4] **SEC. 151**. *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: xxx.

[5] *Article 243. Situs of the Tax*. — (a) Definition of Terms –

(1) Principal Office — the head or main office of the business appearing in the pertinent documents submitted to the Securities and Exchange Commission, or the Department of Trade or Industry, or other appropriate agencies, as the case may be.

The city or municipality specifically mentioned in the articles of incorporation of official registration papers as being the official address of said principal office shall be considered as the situs thereof. xxx.

(2) **Branch or Sales Office — a fixed place in a locality which conducts operations of the business as an extension of the principal office**. Offices used only as display areas of the products where no stocks or items are stored for sale, although orders for the products may be received thereat, are not branch or sales offices as herein contemplated. A warehouse which accepts orders and/or issues sales invoices independent of a branch with sales office shall be considered as a sales office.

(3) Warehouse – a building utilized for the storage of products for sale and from which goods or merchandise are withdrawn for delivery to customers or dealers, or by persons acting in behalf of the business. A warehouse that does not accept orders and/or issue sales invoices as aforementioned shall not be considered a branch or sales office.

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(b) Sales Allocation –

(1) **All sales made in a locality where there is a branch or sales office or warehouse shall be recorded in said branch or sales office or warehouse and the tax shall be payable to the city or municipality where the same is located.**

(2) **<u>In cases where there is no such branch, sales office, or warehouse in the locality where the sale is made, the sale shall be recorded in the principal office along with the sales made by said principal office and the tax shall accrue to the city or municipality where said principal office is located</u>**. *(Emphases and underscoring added)*

transactions are held, as the income generated therefrom are consummated and recorded in petitioner's principal office located in Caloocan City.

Petitioner's *signage installations* are different from a *Toll Collection Facility,* as the latter is considered a branch or sales outlet pursuant to Department of Finance Local Finance Circular No. 1-2013.[6] The said Circular defined a *branch* or *sales outlet* as a fixed place in a locality commonly referred to as *Toll Collection Facility*, where the toll barriers/plazas are situated, which conducts operations of the business as an extension of the principal office more specifically in the collection of toll. On the other hand, petitioner's *signage installations*, which have a limited purpose, do not operate in any such capacity. There is no physical space within the general vicinity of said installations which are used for generation, booking, and/or recording of revenue. In fact, as found by the Court, the billing of its clients and recording of revenue for these transactions are done in petitioner's principal office in Caloocan City. As such, the Court maintains its ruling that no valid levy or collection of LBT, including the surcharge and interest incidental thereto, on the subject *signage installations* may be made by respondents against petitioner.

In view of the foregoing disquisitions, there being no new matter or substantial issue raised by respondents in their *Motion for Reconsideration*, the Court finds no compelling reason to reverse or modify the Decision promulgated on November 18, 2024.

WHEREFORE, premises considered, respondents' *Motion for Reconsideration (to the Decision dated 18 November 2024)* is **DENIED** for lack of merit.

SO ORDERED.

CORAZON G. FERRER-FLORES
Associate Justice

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[6] SUBJECT: PRESCRIBING GUIDELINES GOVERNING THE POWER OF MUNICIPALITIES AND CITIES TO IMPOSE BUSINESS TAX, FEES AND CHARGES ON TOLLWAY OPERATORS/CONCESSIONAIRES PURSUANT TO SECTION 143(e), REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE OF 1991, AND ITS IMPLEMENTING RULES AND REGULATIONS), took effect on April 22, 2014.

WE CONCUR:

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice