REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL SECOND DIVISION

THE CITY OF TAGUIG AND ATTY. J. VOLTAIRE L. ENRIQUEZ, in his capacity as TREASURER OF THE CITY OF TAGUIG,
Petitioners,

- versus -

UNION CEMENT HOLDINGS CORPORATION,
Respondent.

CTA AC NO. 294

Members:

RINGPIS-LIBAN, *P.J., Chairperson,*
MODESTO-SAN PEDRO, *and*
FERRER-FLORES, *JJ.*

Promulgated:

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RESOLUTION

RINGPIS-LIBAN, P.J.:

Before this Court is respondent's **Motion for Reconsideration (of the Decision dated 31 July 2025)** posted on September 18, 2025, and received by the Court on September 25, 2025, with petitioner's **Comment/Opposition (Re: Petitioners' Motion for Reconsideration dated September 18, 2025)** filed on November 24, 2025.

On July 31, 2025, the Court promulgated a Decision affirming the court *a quo*'s finding that petitioners cannot impost local business tax (LBT) on respondent's dividend income as a holding company, the dispositive portion of which reads as follows:

> "**ACCORDINGLY**, the present *Petition for Review* is **DENIED** for lack of merit.
>
> The Decision dated June 24, 2022, and the Resolution dated March 10, 2023, both rendered by RTC of Taguig City – Branch 271, in Civil Case No. 222-TG, are hereby **AFFIRMED**.
>
> **SO ORDERED**."

In their Motion, petitioners reiterate that Ordinance No. 047-06 (An Ordinance Adopting a Local Government Tax Rate on Holding Companies),[1] enacted by the City of Taguig, lawfully imposes a local government tax on the dividend income and gross sales/receipts on other activities of holding companies. Relying on the case of *City of Davao and Bella Linda N. Tanjili, in her official capacity as City Treasurer of Davao City v. Randy Allied Ventures Inc.* (*"RAVI case"* hereafter),[2] petitioners claim that while the Supreme Court has made it clear that a holding company is not liable for LBT under Section 143(f) of Republic Act (RA) No. 7160,[3] or the Local Government Code (LGC) of 1991, it however also held that such pronouncement is without prejudice to the liability of holding companies for other taxes, whether national or local taxes.

As such, petitioners submit that since the Supreme Court held that holding companies are not automatically exempt from other taxes, the subject Ordinance No. 047-06 by the City of Taguig enjoys the presumption of validity as a lawful exercise of taxing powers given to local government units –for all intents and purposes– without any judicial decision to the contrary. Lastly, petitioners argue that since respondent's claim against the City of Taguig partakes of the nature of tax exemption, the interpretation should be strictly construed against respondent.

On the other hand, in its Comment, respondent avers that scrutiny of the ruling in the *RAVI case* will show that the Supreme Court affirmed the finding that the imposition of the LBT on the interest income of taxpayer RAVI was erroneous because it is a holding company and not a financial institution. Respondent asserts that the said ruling is consistent with its position that it is not liable for LBT on dividend income because it is neither a bank nor a financial institution, as is RAVI.

Respondent also emphasizes that it is not claiming automatic exemption from payment of local and national taxes, rather it is merely claiming a refund of its erroneously paid LBT under the provisions of the LGC of 1991. Similar to the *RAVI case*, it was sufficiently established that respondent is a holding company and its dividend income should not have been subjected to imposition of LBT, thus, the present claim for refund. Respondent further asserts that while petitioner is of the view that respondent's claim is of the nature of a tax exemption, impositions of tax should likewise be strictly construed against the government and liberally in favor of the taxpayer since the power to tax is the power to destroy. As such, respondent points out that strict interpretation of the law ensures that the government does not extend its tax powers beyond what is granted by the legislative. Citing the case of *Petron Corporation v. Commissioner of Internal Revenue*,[4] respondent accentuates that the imposition of tax cannot be

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1 Ordinance No. 47, Series of 2006.
2 G.R. No. 241697, July 29, 2019.
3 "AN ACT PROVIDING FOR A LOCAL GOVERNMENT CODE OF 1991", took effect on January 1, 1992.
4 G.R. No. 255961, March 20, 2023.

presumed; and when in doubt, it should be strictly construed against the government.

After due consideration, the Court finds petitioners' Motion for Reconsideration bereft of merit.

Verily, in its Motion, petitioner does not dispute that respondent is a holding company. Nor does petitioner dispute that respondent is *not* liable for LBT under Section 143(f) of the LGC.[5] Rather, petitioner insists that "since there is a special ordinance taxing holding companies within the jurisdiction of Taguig City, such ordinance should be upheld as valid exercise powers given to local government units." In this regard, petitioner argues that without specific and clear provisions of law specifically prohibiting petitioners from creating the subject ordinance in taxing holding companies, Ordinance No. 047-06 should therefore not be declared inconsistent with the LGC of 1991

To answer this, the Court once again reiterates its ruling in the assailed Decision as follows:

> "To be clear, **unlike the national government, local government units have no inherent power to tax**. They merely derived the power from Article X, Section 5 of the 1987 Constitution. Consistent with this provision, the LGC of 1991 was enacted to give each local government unit (LGU) the power to create its own source of revenue and to levy taxes, fees, and charges **subject to statutory guidelines and limitations**.
>
> In addition, it is clear that Section 129, Book II, of the LGC of 1991, empowers each LGU to create its own sources of revenue, and to levy taxes, fees, and charges, but **subject to the provisions of the said Code**, consistent with the basic policy of local autonomy.
>
> **Simply put, the power of an LGU to impose or levy taxes cannot go beyond the limitations set forth by the provisions of the LGC of 1991.**
>
> The power of a municipality and city to impose business taxes finds basis under Section 143, in relation to Section 151, both of the LGC of 1991, to wit:
>
> x x x

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5 "**SEC. 143.** ***Tax on Business.*** — The municipality may impose taxes on the following businesses: x x x.

(f) On banks and other financial institutions, at a rate not exceeding fifty percent (50%) of one percent (1%) on the gross receipts of the preceding calendar year derived from interest, commissions and discounts from lending activities, income from financial leasing, dividends, rentals on property and profit from exchange or sale of property, insurance premiums."

Thus, a city, such as petitioner City of Taguig, may tax: (1) contractors and other independent contractors pursuant to the graduated rates under Section 143(e); and (2) banks and other financial institutions, at a rate by not more than fifty percent (50%) of that allowed a municipality to impose, *i.e.*, fifty percent (50%) of one percent (1%) on the gross receipts, under Section 143(f).

Essentially, LBTs are taxes imposed by LGUs on the privilege of doing business within their jurisdictions. To be sure, the phrase 'doing business' means some 'trade or commercial activity regularly engaged in as a means of livelihood or with a view to profit.'

x x x

Meanwhile, the City of Taguig passed **Ordinance No. 047-06, imposing a local government tax on the dividend income and gross sales/receipts on other activities of holding companies**, to wit:

x x x

However, as stated earlier, **each LGU is empowered to create its own sources of revenue, and to levy taxes,** fees, and charges, **but <u>subject to the provisions of the LGC of 1991</u>**. Hence, the LGU's taxing power is subject to the common limitations found under Section 133(a) of the LGC of 1991, *viz.*:

> 'SEC. 133. *Common Limitations on the Taxing Powers of Local Government Units.* — Unless otherwise provided herein, the exercise of the taxing powers of provinces, cities, municipalities, and barangays **<u>shall not extend to the levy of the following:</u>**
>
> (a) **<u>Income tax, except when levied on banks and other financial institutions;</u>**

x x x

It is clear from the foregoing provision, **the LGC of 1991 prohibits LGUs from imposing taxes, fees, or charges, on income or gain that were already subjected to income tax under the National Internal Revenue Code**, except when the same is levied on banks and other financial institutions. In other words, **the LGC of 1991 forbids the imposition of LBT on income realized by entities not classified as banks and other financial institutions**.

x x x

There is, therefore, no dispute on the classification of the respondent as a holding company, and that it is not classified as 'banks and other financial institutions.' That being said, **by imposing LBT on the dividend income of respondent, petitioners are effectively imposing** [on] **respondent a tax on the income itself, which is in**

> **violation of the common limitation of the LGU's taxing power under Section 133(a) of the LGC** xxx." *(Citations omitted; emphases and underscoring added)*

With emphasis, while the LGC does not prohibit LGUs from taxing holding companies specifically, as posited by petitioner, it does however prohibit taxing the dividend income of non-bank financial intermediaries, which includes holding companies. It has been held by the Court that mere management of dividends that are received from shares of stock is deemed insufficient to be considered as an active investor or dealer in securities that is doing business as a bank or other financial institution.[6]

In the case of *Mayor Pablo P. Magtajas, et al. v. Pryce Properties Corporation, Inc., et al.*,[7] the Supreme Court had occasion to explain the basis of the rule that an ordinance cannot contravene a statute, thus:

> "The rationale of the requirement that the ordinances should not contravene a statute is obvious. Municipal governments are only agents of the national government. **Local councils exercise only delegated legislative powers conferred on them by Congress as the national lawmaking body. The delegate cannot be superior to the principal or exercise powers higher than those of the latter.** It is a heresy to suggest that the local government units can undo the acts of Congress, from which they have derived their power in the first place, and negate by mere ordinance the mandate of the statute."

Since the LGC provides that cities are *only* allowed to impose LBT on dividends when these pertain to the gross receipts of banks and other financial institutions, petitioners' Ordinance No. 047-06 exceeds the limitations provided for by law. Correspondingly, an ordinance which is incompatible with any existing law or statute is *ultra vires*, hence, null and void.[8]

In view of the foregoing disquisitions, there being no new matter or substantial issue raised by petitioners in their Motion for Reconsideration, the Court finds no compelling reason to reverse or modify the Decision promulgated on July 31, 2025

WHEREFORE, premises considered, petitioner's Motion for Reconsideration (of the Decision dated 31 July 2025) is **DENIED** for lack of merit.

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[6] *City of Davao v. First Meridian Development, Inc.*, G.R. No. 240078, October 19, 2022.
[7] G.R. No. 111097, July 20, 1994.
[8] *Manila Electric Company v. City of Muntinlupa and Nelia A. Barlis*, G.R. No. 198529, February 9, 2021.

SO ORDERED.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

We Concur:

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice