REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

THE GOLDEN LEGACY FINANCING CORPORATION,
Petitioner,

-versus-

CITY TREASURER OF QUEZON CITY (Hon. Edgar T. Villanueva) and LOCAL GOVERNMENT OF QUEZON CITY (represented by its City Mayor, Maria Josefina Tanya "Joy" Go Belmonte Alimurung),
Respondent.

CTA AC NO. 271

Members:

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

Promulgated:

MAY 27 2024 2:40 p.m.

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DECISION

RINGPIS-LIBAN, *J.*:

THE CASE

Before this Court is a *Petition for Review* filed by The Golden Legacy Financing Corporation[1] on September 1, 2022, under Section 7(a)(3) of Republic Act No. 1125, as amended.[2]

[1] Docket, pp. 5 to 51.

[2] "Sec. 7. Jurisdiction. - The CTA shall exercise:

a. Exclusive appellate jurisdiction to review by appeal, as herein provided:

xxx xxx xxx

3. Decisions, orders or resolutions of the Regional Trial Courts in local tax cases originally decided or resolved by them in the exercise of their original or appellate jurisdiction;"

The petitioner prays for the reversal of the *Judgment Based on the Pleadings* dated June 27, 2022,[3] and the *Resolution* dated August 3, 2022,[4] both rendered by the Regional Trial Court (RTC) – Branch 77, Quezon City, in Civil Case No. R-QZN-21-08429-CV, entitled *"The Golden Legacy Financing Corporation vs. City Treasurer of Quezon City (Hon. Edgar T. Villanueva) and Local Government of Quezon City (Represented by its City Mayor, Maria Josefina Tanya 'Joy' Go Belmonte Alimurung"*, the dispositive portions of which respectively read as follows:

<u>Judgment based on the Pleadings dated June 27, 2022</u>:

> **"WHEREFORE, Above premises considered, the PETITION is DISMISSED.**
>
> **SO ORDERED."**

<u>Resolution dated August 3, 2022</u>:

> **"WHEREFORE, Above premises considered, the Motion for Partial Reconsideration is DENIED.**
>
> **SO ORDERED."**

Petitioner further prays that the Court render judgement in its favor, ordering respondents (as may be applicable to):

a. Cancel and invalidate the deficiency tax assessment for the years 2017 to 2020 issued against petitioner in the total amount (inclusive of taxes and surcharges) of ₱2,087,333.51; *and*,

b. Refund or credit the amount of ₱2,087,333.51 erroneously paid by petitioner.

THE PARTIES

Petitioner The Golden Legacy Financing Corporation (*formerly* Golden Legacy Lending Corporation) is a domestic corporation organized and existing under the laws of the Philippines,[5] with principal office address at Unit G-C Murphy Center, 205 Bonny Serrano Road Murphy, Quezon City, Philippines.[6]

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[3] Docket, pp. 173 to 181.
[4] Docket, pp. 182 to 186.
[5] Par. 2, *Petition for Review*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, p. 3, vis-à-vis par. 1, Admitted Facts, *Pre-Trial Brief*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, p. 676.
[6] Par. 2, *Petition for Review*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, p. 3, vis-à-vis par. 3, Admitted Facts, *Pre-Trial Brief*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, p. 676.

It's primary purpose is to engage, deal and operate the general business as a financing company including the performance of such other acts and things as may be necessary or inter-connected therewith, only to the extent permitted and / or allowed by law.[7]

Respondent Local Government of Quezon City is a local government unit duly organized and existing under Philippine laws,[8] while respondent City Treasurer of Quezon City is the incumbent City Treasurer of Quezon City vested under the law with authority to implement the Revenue Code of Quezon City, to issue notices of assessment and collect business taxes, fees and charges within Quezon City, and to decide on protests.[9]

ANTECEDENTS (ADMINISTRATIVE LEVEL)

Petitioner operates as a financing company under Republic Act No. 8556 or the Financing Company Act of 1998.[10] Its principal office is located in Unit G-C Murphy Center, 205 Bonny Serrano Road, Murphy, Cubao, Quezon City[11] but it operates and maintains branches in the cities of Cebu, Dagupan, Iloilo, Lipa, Naga, and Tarlac.[12]

When petitioner applied for a renewal of its Head Office's 2021 business permit with Quezon City, the Office of the City Treasurer of Quezon City issued a *Business Tax Bill* with Billing No. 1775558 dated April 19, 2021 for the amount of ₱1,043,666.76, representing adjustments, with the remark "Collect 50% of 2016-2019 Tax Def[iciency] under adj[ustment]",[13] and the preliminary computation,[14] which assessed petitioner for deficiency taxes, surcharges, and interest, in the total amount of ₱2,087,333.51, covering taxable periods 2017 to 2020.

[7] *Amended Articles of Incorporation* dated February 22, 2019, Annex A, *Petition for Review*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, p. 29, vis-à-vis par. 2, Admitted Facts, *Pre-Trial Brief*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, p. 677.
[8] Par. 3, *Petition for Review*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, p. 3.
[9] Par. 4, *Petition for Review*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, p. 3.
[10] Par. 2, Admitted Facts, *Pre-Trial Brief*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, p. 677.
[11] Par. 3, Admitted Facts, *Pre-Trial Brief*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, p. 677.
[12] Par. 18, *Petition for Review*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, pp. 6 to 7, vis-à-vis par. 5, Admitted Facts, *Pre-Trial Brief*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, p. 677.
[13] Par. 6, *Petition for Review*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, p. 4.
[14] Pars. 6 and 19, *Petition for Review*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, pp. 3 and 7, vis-à-vis par. 6, Admitted Facts, *Pre-Trial Brief*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, p. 677.

On April 20, 2021, petitioner paid fifty percent (50%) of the subject assessment or the amount of ₱1,043,666.76.[15]

Thereafter, on June 14, 2021, petitioner filed its protest letter dated June 11, 2021,[16] arguing that it should not be assessed business tax on the gross receipts of its branches because the taxes due on the receipts of the branches should be paid, and have been duly paid, in the cities and/or municipalities where the branches are located, pursuant to Sections 150 and 151 of the Local Government Code (LGC) of 1991. The protest included a claim for tax refund or credit in the amount of ₱1,043,666.76, considering the payment made on April 20, 2021, and representing the excess amount paid by petitioner.[17]

Subsequently, the *Business Tax Bill* dated August 26, 2021 was issued to petitioner relative to an adjustment for the 4th quarter of 2021 in the amount of ₱1,043,666.76, representing the remaining fifty (50%) percent of the subject assessment.[18]

On September 30, 2021, petitioner paid under protest the adjustment included in the *Business Tax Bill* for the 4th quarter of 2021.[19]

Petitioner then filed on October 1, 2021, with the Office of the City Treasurer of Quezon City, a claim for refund or tax credit of the excess business tax paid amounting to ₱1,043,666.76.[20]

PROCEEDINGS BEFORE RTC – BRANCH 77

Alleging inaction on the part of respondents, petitioner filed on October 25, 2021, its *Petition for Review*, with the RTC – Quezon City.[21] The case was docketed as Civil Case No. R-QZN-21-08429-CV, and was raffled to the RTC – Branch 77.[22]

Respondents filed their *Comment (to the Petition for Review with Motion for Extension dated September 10, 2021)* on November 15, 2021.[23]

[15] Par. 7, *Petition for Review*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, p. 3, vis-à-vis par. 7, Admitted Facts, *Pre-Trial Brief*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, p. 677.
[16] Par. 8, *Petition for Review*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, p. 3.
[17] Par. 27, *Petition for Review*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, p. 11.
[18] Par. 29, *Petition for Review*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, p. 11.
[19] Par. 31, *Petition for Review*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, p. 11.
[20] Par. 32, *Petition for Review*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, p. 12.
[21] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, pp. 2 to 27.
[22] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, pp. 2 to 27.
[23] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2.

On November 22, 2021, the court *a quo* issued an *Order*,[24] noting respondents' *Comment (to the Petition for Review with Motion for Extension dated September 10, 2021)*, and setting a clarificatory hearing on the factual and legal issues as well as the submitted evidence on December 9, 2021.

In an *Order* dated December 9, 2021,[25] the court *a quo* gave the parties a non-extendible period of thirty (30) days from notice to file their respective position papers on the issues on jurisdiction and the proper proceedings to be adopted in this case.

On January 10, 2022, the *Position Paper for the Petitioner* was filed via e-mail.[26]

In the Resolution dated January 24, 2022,[27] the RTC denied respondents' *Motion to Dismiss*, incorporated in their *Comment (to the Petition for Review with Motion for Extension dated September 10, 2021)*, and directed the branch clerk of court to immediately set this case for pre-trial and issue the necessary notice to the parties. In the same Resolution, the Court directed the parties to prepare their respective pre-trial briefs and judicial affidavits of their witnesses, and to follow up on the schedule of their pre-trial with the branch clerk of court.

The case was set for pre-trial on March 30, 2022,[28] but was reset to April 6, 2022.[29] Before the pre-trial, the respondents filed their *Position Paper with Manifestation* on February 7, 2022[30] and their *Pre-Trial Brief* on March 3, 2022.[31] The *Pre-Trial Brief for Petitioner* was filed on April 1, 2022.[32]

Thereafter, a *Pre-Trial Order* dated April 6, 2022[33] was issued, stating that: (1) upon motion of the parties, and it appearing that there are no factual issues which are contested, this case is submitted for judgment based on the pleadings; (2) the parties manifested that in lieu of submitting memoranda, they will just stand by their respective position papers; and (3) this case is submitted for decision.

[24] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, p. 542
[25] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, pp. 544 to 545.
[26] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, pp. 594 to 608.
[27] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, pp. 610 to 611.
[28] Notice of Pre-Trial dated January 25, 2022, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, pp. 612 to 613.
[29] Order dated March 21, 2022, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, pp. 684; Minutes of the session held on April 6, 2022, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, p. 710.
[30] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, pp. 630 to 648.
[31] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, pp. 675 to 682.
[32] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, pp. 697 to 707.
[33] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, p. 711.

The RTC – Branch 77 promulgated the assailed *Judgment Based on the Pleadings* on June 27, 2022.[34]

On July 13, 2022, petitioner filed a *Motion for Partial Reconsideration [Re: Judgment based on the Pleadings dated 27 June 2022),*[35] to which respondents filed their *Opposition [To The Motion for Reconsideration dated July 13, 2022]* on July 18, 2022.[36]

The RTC – Branch 77 issued the assailed Resolution, denying petitioners' *Motion for Reconsideration* on August 3, 2022.[37]

PROCEEDINGS BEFORE THE COURT

On September 1, 2022, petitioner filed the present *Petition for Review* with this Court.[38]

Respondent then filed its *Comment [To The Petition for Review dated September 1, 2022]* on November 2, 2022.[39]

In a *Resolution* dated November 18, 2022,[40] the Court ordered the Branch Clerk of Court of RTC – Branch 77, to elevate the entire original records of Civil Case No. R-QZN-21-08429-CV within ten (10) days from notice. In the same *Resolution*, the Court gave due course to the present *Petition for Review*, and granted the parties thirty (30) days from notice, within which to file their respective memoranda.

On February 27, 2023, the *Memorandum of the Respondents* was submitted[41] and petitioner's *Memorandum* was posted.[42]

However, no RTC records were forwarded to this Court.[43] Thus, in the Resolution dated May 25, 2023,[44] the Branch Clerk of Court of RTC – Branch 77, was reminded to elevate the entire original records of Civil Case No. R-QZN-21-08429-CV, within ten (10) days from notice thereof.

[34] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, pp. 712 to 720.
[35] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, pp. 721 to 737.
[36] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, pp. 739 to 747.
[37] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, pp. 751 to 755.
[38] Docket, pp. 5 to 51.
[39] Docket, pp. 68 to 80.
[40] Docket, pp. 82 to 83.
[41] Docket, pp. 84 to 99.
[42] Docket, pp. 103 to 156.
[43] Records Verification Report dated April 20, 2023 issued by the Judicial Records Division of this Court, Docket, p. 161.
[44] Docket, pp. 164 to 165.

On June 9, 2023, the records of Civil Case No. R-QZN-21-08429-CV were finally transmitted to the Court.[45]

In the Resolution dated June 13, 2023,[46] the present case was transferred to this Court's *Second Division.*

On June 20, 2023,[47] the present case was deemed submitted for decision.

GROUNDS FOR THE *PETITION FOR REVIEW*

Petitioner cites the following grounds as basis for filing the present *Petition for Review, viz.*:

A. "THE REGIONAL TRIAL COURT CAN RULE UPON THE LEGALITY OR PROPRIETY OF THE LOCAL BUSINESS TAX ASSESSMENT MADE BY THE CITY GOVERNMENT OF QUEZON CITY[.]

B. THE LEGALITY OR PROPRIETY OF THE ASSESSMENT CAN BE DISCUSSED AND RULED UPON WITHOUT ASSAILING THE LEGALITY OR VALIDITY OF THE QC REVENUE CODE.

C. THE ASSESSMENT ISSUED BY RESPONDENT CITY TREASURER AGAINST PETITIONER IS INVALID FOR BEING CONTRARY TO THE PROVISIONS OF THE LGC.

D. THE REGIONAL TRIAL COURT ERRRED IN DENYING PETITIONER'S CLAIM FOR TAX REFUND AND/OR CREDIT CONSIDERING ITS OVERPAYMENT IN APRIL 2021."[48]

Petitioner's Arguments:

Petitioner argues that the trial court is vested with jurisdiction and authority to rule upon the legality or propriety of the subject assessment made by respondent city pursuant to Section 195 of the LGC of 1991; that the legality or propriety of the subject assessment may be ruled upon without

[45] Transmittal of Record dated June 9, 2023, Docket, p. 166.
[46] Notice, Docket, p. 204.
[47] Minute Resolution dated June 20, 2023, Docket, pp. 205.
[48] Grounds, *Petition for Review*, Docket, pp. 19 to 20.

assailing the legality or validity of the Quezon City Revenue Code (QCRC); that the subject assessment is invalid for being contrary to the letter of the QCRC; that the assessment issued by respondent City Treasurer against petitioner is invalid for being contrary to the provisions of the LGC; and that the RTC erred in denying petitioner's claim for tax refund and/or credit considering its overpayment in 2021.

Respondents' Counter-Arguments:

Respondents contend that the RTC correctly denied petitioner's claim for tax refund and/or tax credit; that the instant Petition constitutes a collateral attack on the legality, constitutionality and validity of the QCRC; that petitioner failed to adduce convincing evidence that the QCRC, upon which the subject assessment is based, is unjust, excessive, oppressive, confiscatory or contrary to declared national policy; and that petitioner is not entitled to any claim for refund and/or tax credit.

THE COURT'S RULING

The *Petition for Review* is partly meritorious.

The court *a quo* did not err when it did not rule on the validity of the Section 23(3)(c) of the QCRC.

The records of this case show that the validity of Section 23(3)(c) of the QCRC was *not* raised as an issue to be resolved by RTC – Branch 77. The *Position Paper For The Petitioner*,[49] precisely stated that the petition assailed the validity of the assessment and not the QCRC provision. Hence, there was no collateral attack on the same:

> "**B. THE PETITION FOR REVIEW ASSAILS THE VALIDITY OF THE DEFICIENCY TAX ASSESSMENT AND <u>NOT THE CONSTITUTIONALITY OF THE QUEZON CITY REVENUE CODE</u>.**
>
> 34. Respondents allege that Petitioner, in claiming for refund of the taxes erroneously based on the Subject Assessment, collaterally attacks the validity of Section 23(3)(c) of the Quezon City Revenue Code.
>
> 35. However, **<u>Petitioner is not questioning the validity nor seeking the nullification of the Quezon City Revenue Code or any of</u>**

[49] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, pp. 614 to 627.

> **its provisions.** Petitioner simply puts into issue the validity of the deficiency taxes being assessed against it by Respondent City Treasurer on the ground that it constitutes excessive taxation and directly contradicts the limitations by the LGC.
>
> 36. **Respondents fail to consider that the issue raised by Petitioner in its Petition, *i.e.* the validity of the Subject Assessment, and the consequent claim for refund, may be resolved by this Honorable Court without invalidating the Quezon City Revenue Code.**
>
> xxx xxx xxx
>
> 38. **In the instant case, it must be emphasized [that] Petitioner does not put in issue the validity of the Quezon City Revenue Code or any of its provisions nor prays for the declaration of illegality or constitutionality of such.**
>
> 39. Petitioner is assailing the validity of Respondent City Treasurer's assessment of deficiency taxes on Petitioner's business income for its head office and branch officers on the ground that it constitutes excessive taxation and directly contradicts the limitations set forth by the LGC. Simply put, **it is the application of Section 23(3)(c) of the Quezon City Revenue Code to Petitioner's business and not the provision itself which is questioned.**" *(Emphases and underscoring added)*

The assailed decision itself clarified that the parties are in agreement that the QCRC and its provisions relevant to this case are *constitutional* and *legal* and, thus, limited the scope of its adjudication as follows:

> At the onset, it appears that the parties are in agreement that this court has jurisdiction over the subject matter and over the parties to this case, and that the proceedings to be adopted should be akin to that of ordinary civil action proceedings. What is contested; however, is whether or not this case is a collateral attack on the constitutionality or legality of the Quezon City Revenue Code. The respondents say it is, while the petitioner asserts that it is not. According to the petitioner, it is not questioning the legality or constitutionality of the Revenue Code, particularly, Section 23 (3) (c), rather, what it is questioning is the legality or validity of the deficiency taxes assessed by the city against it. As put by the petitioner, it is the application of the provision which is being questioned, not its validity.
>
> The court agreed with the petitioner, and stated that 'Since the parties are basically admitting that the QC Revenue Code is constitutional and legal, what will be put in issue in this case is the legality of the applications of its provisions. Hence, in essence, it is the interpretation of the City Treasurer's Office of said provision which shall be the primary issue in the resolution of the petitioner's case, that is, whether or not the assessment made by the respondent regarding petitioner's business income was legal and is pursuant to the QC Revenue Code.'" (Underscoring supplied)

The court *a quo*'s conclusion finds basis in *Bernardez, Jr. vs. The City Government of Baguio, et al.*,[50] where the Supreme Court held that the validity of a local ordinance is *not* subject to a collateral attack and that the legal presumption of a local ordinance's validity stands, unless the same is annulled in a direct proceeding:

> "There is no question that the main thrust of petitioner's action is premised on the nullification of AO 171. It is petitioner's belief that AO 171 usurped and divested his functions as the City Engineer of Baguio City. It bears noting, however, that following the issuance and implementation of AO 171, Flores was later appointed as Department Head of the CBAO. With this succeeding appointment of Flores to a new position, it is apparent that AO 171 is no longer operative insofar as his designation as acting Building Official is concerned.
>
> To the Court's mind, the mootness as to the issue raised by petitioner in his complaint is all too apparent in his petition since the arguments raised therein have essentially broadened the said issue further to include not only the legality of AO 171, but also the legal infirmities supposedly attendant in the following: (1) reorganization of the local departments of the City of Baguio; (2) the creation of the CBAO and (3) the appointment of Flores as Department Head of CBAO. These matters, however, are not covered by AO 171.
>
> Strangely, petitioner did not directly challenge the propriety of these matters during the proceedings before the trial court. It would thus be improper for the Court to make a pronouncement on their validity since they have not been put in issue in the first place.
>
> If, indeed, petitioner also seeks to strike them down as illegal, he should have prayed for the nullification of the ordinance or administrative orders from which they are based. This the petitioner failed to do. At best, petitioner, in his complaint filed with the RTC, implicitly questioned the impropriety of Ordinance No. 01 (from which AO 171 emanated) by asserting that the said ordinance, while an appropriation measure, contains non-appropriation items such as the reorganization and restructuring of the local departments under the City of Baguio, and the creation of the CBAO. In this regard, **we agree with the ruling of the RTC that a collateral attack on Ordinance No. 01 is proscribed**, thus:
>
>> On this point, well-entrenched in jurisprudence is the rule that the validity of a local ordinance is not subject to a collateral attack (San Miguel Brewery, Inc. vs. Francisco Magno, G.R. No. L-21879). As can be gleaned from this case, the validity of City Ordinance No. 01-04 which put in effect Administrative Order No. 171, was never put in issue. Thusly, the validity thereof cannot be disturbed through the instant case and as a consequence thereof, the validity of the Administrative Order implementing the same shall, likewise, be maintained.
>
> We have consistently held that the validity of laws, orders, or such other rules with the force of law cannot be attacked collaterally. This is

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[50] G.R. No. 197559, March 21, 2022.

> because there is a legal presumption of validity of these laws. Accordingly, the legal presumption of Ordinance No. 01's validity stands unless the same is annulled in a direct proceeding." *(Emphases and underscoring added)*

Thus, the Court agrees with the court *a quo* insofar as it avoided ruling on the validity of Section 23(3)(c) of the QCRC. In addition, since this issue was not raised in the instant petition before the Court, the Court deems it prudent to withhold its pronouncement on the same.

However, the court *a quo* erred when it did not rule on the issue of the correctness of the assessment issued by the local government of Quezon City.

First, the case filed before the court *a quo* was an appeal, under Section 195 of the Local Government Code,[51] on the 2017-2020 assessments issued by the local government of Quezon City.[52]

When a taxpayer is assessed a deficiency local tax, fee or charge, he may protest it under Section 195 questioning the validity or correctness of the assessment.[53]

In this case, the petitioner was contesting the Quezon City assessment and questioning its correctness because allegedly the assessment included the sales or receipts from branches which were located *outside* Quezon City.[54]

Second, the Court notes that indeed the respondents were of the position that there were no factual issues involved in the case, as reflected in their *Position Paper with Manifestation*[55] the pertinent portion of which reads:

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[51] 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. Within sixty (60) days from the receipt of the notice of assessment, the taxpayer may file a written protest with the local treasurer contesting the assessment; otherwise, the assessment shall become final and executory. The local treasurer shall decide the protest within sixty (60) days from the time of its filing. If the local treasurer finds the protest to be wholly or partly meritorious, he shall issue a notice cancelling wholly or partially the assessment. However, if the local treasurer finds the assessment to be wholly or partly correct, he shall deny the protest wholly or partly with notice to the taxpayer. The taxpayer shall have thirty (30) days from the receipt of the denial of the protest or from the lapse of the sixty (60)-day period prescribed herein within which to appeal with the court of competent jurisdiction otherwise the assessment becomes conclusive and unappealable.

[52] Nature of Petition, Petition for Review, *Petition for Review*, RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 1, p. 1.

[53] *City of Manila v. Cosmos Bottling Corporation*, G.R. No. 196681, June 27, 2018.

[54] Petition for Review, Docket, pp. 10-15.

[55] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, pp. 549 to 567.

"5. It is the position of the Respondents that there is no factual issue involved in the instant petition with the sole reservation on the factual antecedents of continued and uninterrupted payment of the Petitioner of its local business taxes from 2016 to 2020 without protest and which may likewise be admitted by stipulation with the Petitioner in the course of the proceedings. With the exception to the foregoing, the Respondents neither dispute nor deny the factual allegations averred by the Petitioner in its Petition nor the authenticity of the documents attached thereto." (*Underscoring supplied*)

When an answer otherwise admits material allegations of the adverse party's pleading, the court may, on motion of that party, direct judgment on such pleading. Rule 18 Section 10 in relation to Rule 34 Section 1 of the Rules of Court clearly provide for the same, thus:

"Section 10. *Judgment after pre-trial.* – Should there be no more controverted facts, or no more genuine issue as to any material fact, or an absence of any issue, or should the answer fail to tender an issue, the court shall, without prejudice to a party moving for judgment on the pleadings under Rule 34 or summary judgment under Rule 35, *motu proprio* include in the pre-trial order that the case be submitted for summary judgment or judgment on the pleadings, without need of position papers or memoranda. In such cases, judgment shall be rendered within ninety (90) calendar days from termination of the pre-trial. The order of the court to submit the case for judgment pursuant to this Rule shall not be the subject to appeal or certiorari."

"Section 1. *Judgment on the pleadings.* — Where an answer fails to tender an issue, or otherwise admits the material allegations of the adverse party's pleading, the court may, on motion of that party, direct judgment on such pleading. However, in actions for declaration of nullity or annulment of marriage or for legal separation, the material facts alleged in the complaint shall always be proved." (*Underscoring supplied*)

Accordingly, the court *a quo* correctly submitted the case for judgment on the pleadings, as reflected in its Pre-Trial Order dated April 6, 2022,[56] *viz.*:

"In today's pre-trial, the following appeared: Atty. Roberto Miguel Ramiro and Atty. Iris Clara Pajarito for the petitioner. Atty. Lucy Cristy Banta for the respondents.

Upon motion of the parties, and it appearing that there are no factual issues which are contested, this case is submitted for judgment based on the pleadings. The parties manifested that in lieu of submitting memoranda, they will just stand by their respective position papers.

This case is submitted for decision.

[56] RTC Docket (Civil Case No. R-QZN-21-08429-CV) – Vol. 2, p. 711.

SO ORDERED." *(Emphasis added)*

However, the Court agrees with the petitioner that the validity or correctness of the assessment could still be determined without necessarily assailing the validity of Section 23(3)(c) of the QCRC. Thus, contrary to the ruling of the court *a quo*, petitioner did *not* seal its fate by admitting that Section 23(3)(c) of the QCRC is legal and valid.[57]

Notably, while the assailed *Judgment Based on the Pleadings*[58] was premised upon the notion that petitioner failed to assail the legality or validity of the QCRC provision, the court *a quo*, nonetheless proceeded to state how the same provision contradicts Section 150(a) of the LGC of 1991:

> "Thus, there appears to be a disconnect and inconsistency between the provisions of the LGC and that of the QC Revenue Code. The respondents insists that the 30-70 allocation should also be applied in cases of financial institutions as specified in Sec. 23, par 3 (c) of the said ordinance. However, the provision of the LGC is clear in stating that in cases of financial institutions with branches, the sales of the branches shall accrue to the place where these branches are located, and that only in cases where there are no branches in the place where transaction was made should said sale be recorded in the principal office. There is no exemption provided in this provision. Hence, the application of the 30-70 allocation made by the respondent regarding the gross sales and receipts of the petitioner which led to the inclusion of the sales of its branches appears to be in error as it directly violates the provision of the LGC. The assertion of the respondent that the city ordinance is in harmony with the LGC in so far as the tax liability of financial institutions with branches in other localities are concerned, as well as the position of the petitioner that the QC Revenue Code's validity need not be put in issue in this case, are rebuked by no less than the provision of Section 150 cited above. A simple reading of the provision itself clearly shows that the LBT of branches of financial institutions are payable to the localities where these branches are located, and that this is contrary to the what Sec. 23, of the QC Revenue Code provides. Being clear and unequivocal, there is no need for interpretation and the resort to statutory construction. *Optima statuti interpretatrix est ipsum statutum.*"[59] (*Underscoring supplied*)

Nonetheless, while concluding that (a) there appears an *inconsistency* between Section 150(a) of the Local Government Code and Section 23(3)(c) of the QCRC, and (b) the inclusion of the sales of petitioner's branches appear to be in error, the court *a quo* did not rule whether petitioner was entitled to the refund claim on the basis of its uncontested factual allegations. Instead, the court *a quo dismissed* the petition.

[57] See *Judgment Based on the Pleadings*, Docket, p. 54.
[58] Docket, pp. 173 to 181.
[59] *Judgment Based on the Pleadings*, Docket, pp. 55-56.

In other words, the court *a quo* did not resolve whether the facts, *as admitted by respondents*, vis-à-vis Section 23(3)(c) of the QCRC, prove that the assessment was erroneous and, thus, petitioner was entitled to the refund of the amounts it paid for the years 2017 to 2020, totaling ₱2,087,333.51.

It must be pointed out that the legality or constitutionality of the QCRC provision does *not* necessarily mean that the assessment based thereon was correct and that petitioner's tax payments pursuant to said assessment were also valid. Accordingly, the court *a quo* should have determined whether petitioner is entitled to the refund being claimed based on Section 23(3)(c) of the QCRC.

This case must be remanded to the court *a quo* for the resolution of this issue since it has acquired familiarity with the facts of the case.

WHEREFORE, premises considered, the *Petition for Review* is **PARTIALLY GRANTED**.

Accordingly, the assailed *Judgment Based on the Pleadings* dated June 27, 2022 and *Resolution* dated August 3, 2022, both rendered by the RTC – Branch 77, Quezon City, in Civil Case No. R-QZN-21-08429-CV, are hereby **REVERSED** and **SET ASIDE**, insofar as it dismissed the petition and did not rule on the issue of whether petitioner is entitled to the refund being claimed.

The case is **REMANDED** to the court *a quo* for the proper resolution of said issue.

SO ORDERED.

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

WE CONCUR:

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

CORAZON G. FERRER-FLORES
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.

MA. BELEN M. RINGPIS-LIBAN
Associate Justice
Chairperson

CERTIFICATION

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

ROMAN G. DEL ROSARIO
Presiding Justice