REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

CALFURN MFG. PHILIPPINES INCORPORATED* and **AWECA CARGO SERVICES, INC.,** *Petitioners,*	**CTA EB No. 2953** (CTA AC No. 253)
	Present:
-versus-	**RINGPIS-LIBAN,** *PJ* **BACORRO-VILLENA, MODESTO-SAN PEDRO, REYES-FAJARDO, CUI-DAVID, FERRER-FLORES,** and, **ANGELES,** *JJ.*
JULIET G. QUINSAAT in her capacity as Treasurer of Angeles City, Province of Pampanga, *Respondent.*	Promulgated: JAN 15 2026 8:05 p.m.

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DECISION

REYES-FAJARDO, *J.*:

For disquisition is the Petition for Review[1] dated August 5, 2024, impugning the Decision[2] dated January 25, 2024 and Resolution[3] dated June 11, 2024, both rendered by the Court of Tax Appeals - Special Third Division (CTA in Division) in CTA AC No. 253. The impugned Decision and Resolution modified the Resolutions dated January 27, 2021[4] and March 11, 2021,[5] both issued

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* The following petitioners in CTA AC No. 253, namely: (1) Aim-Ex Asia Int'l Trading Corporation; (2) Asia Rattan Mfg. Company; (3) Aweca Exim Trading Corporation; and (4) Aweca Agro-Forest Industries Corporation, were merged with Calfurn Mfg. Philippines Incorporated.

1 *Rollo*, pp. 5-24.

2 *Id.* at pp. 43-55.

3 *Id.* at pp. 37-40.

4 Annex "A," Petition for Review in CTA AC No. 253. Division Docket, pp. 31-36.

5 Annex "B," Petition for Review in CTA AC No. 253. *Id.* at pp. 37-41.

by Branch 42, Regional Trial Court of Pampanga (RTC-Pampanga) in Comm. Case No. 060. In turn, the Resolutions issued by RTC-Pampanga denied petitioners' Motion for Exemption (for Local Taxes and Fees).

First, the facts.

Petitioners are duly constituted corporations existing under the laws of the Republic of the Philippines with principal office at Manga Road, Pulungbulo, Angeles City, Pampanga.[6]

Respondent Juliet G. Quinsaat is of legal age, Filipino, and with postal office address at the Office of the City Treasurer, Angeles City Hall, Angeles City, Pampanga. She is impleaded in her capacity as City Treasurer of Angeles City.[7]

On December 6, 2008, petitioners filed their Petition for Corporate Rehabilitation before RTC-Pampanga. RTC-Pampanga then issued: (1) a Commencement Order on December 17, 2008; and (2) a Stay Order on all claims against petitioners.

On December 16, 2009, RTC-Pampanga issued an Order, approving petitioners' Rehabilitation Plan, with an initial duration of until December 31, 2018.

On May 23, 2019, RTC-Pampanga issued another Order, extending the duration of petitioners' Rehabilitation Plan until December 31, 2023.

On December 23, 2019, petitioners sent Letters to respondent and the Office of the Assessor of Angeles City, requesting for a *waiver* of Real Property Tax (RPT) and Local Business Tax (LBT) pursuant to the provisions of the Financial Rehabilitation and Insolvency Act of 2010 (FRIA).[8]

In the Letter dated January 3, 2020 received by petitioners, respondent attached the legal opinion of the City Legal Officer of

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6 See Par. 4, Petition in CTA EB No. 2953. *Rollo*, p. 6.
7 See Par. 5, Petition in CTA EB No. 2953. *Ibid.*
8 Republic Act No. 10142.

Angeles City (CLO). In said Legal Opinion, the CLO opined that there is no explicit pronouncement on the waiver of LBT and RPT with respect to the City of Angeles, Pampanga. Accordingly, respondent requested that a more specific pronouncement be provided by petitioners so that the City of Angeles can grant a waiver of LBT and RPT.

On January 16, 2020, the Court-appointed Rehabilitation Receiver (Receiver)[9] wrote to respondent, explaining that Section 19 of FRIA mandates the exemption of petitioners from local taxes and fees. The Receiver likewise discussed the matter with the City of Angeles, Pampanga, through informal explanations and negotiations concerning the applicable provisions of FRIA but to no avail. On the other hand, respondent maintained that an Order from RTC-Pampanga must be secured particularly exempting petitioners from the imposition of local taxes within the City of Angeles, and would serve as legal basis for the request for exemption by petitioners from said local taxes.

On September 22, 2020, petitioners received from the Receiver, a copy of the Motion for Exemption (for Local Taxes and Fees) filed with RTC-Pampanga, to which the CLO filed its Comment/Opposition (to Petitioner[s'] Motion for Exemption), followed by the latter's Amended Comment/Opposition (to Petitioner[s'] Motion for Exemption).

On January 28, 2021, petitioners received the Receiver's Manifestation dated January 25, 2021. There, the Receiver pointed out that it received two (2) Orders of Payment both dated January 17, 2021, requiring petitioners to pay the amounts of ₱1,794,472.46 and ₱272,162.80. The Orders of Payment failed to indicate the type of local taxes to be collected, as well as their corresponding taxable years. However, petitioners said that they paid local taxes under protest for Taxable Years (TYs) 2009 to 2019 in the total amount of ₱7,490,252.83, and for TYs 2020 to 2022 in the total amount of ₱6,625,574.21. Thus, it was assumed that the local taxes demanded in said Orders of Payment formed part of the payments under protest made by petitioners for TYs 2009 to 2022.

Under Resolution dated January 29, 2021, RTC-Pampanga denied petitioners' Motion for Exemption (for Local Taxes and Fees).

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9 Atty. Leopoldo E. San Buenaventura.

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According to RTC-Pampanga, the waiver of local taxes and fees requested by petitioners is valid only until a Rehabilitation Plan has been approved, or the Petition has been dismissed, whichever comes first. Since there was already a duly-approved Rehabilitation Plan, petitioners are no longer entitled to a waiver of local taxes and fees under FRIA.

Petitioners filed their Motion for Reconsideration, assailing RC's Resolution dated January 29, 2021, to which respondent filed its Comment/Opposition (to Petitioner[s'] Motion for Reconsideration), followed by the Receiver's Reply to said comment/opposition.

On March 23, 2021, petitioners received RTC-Pampanga's Resolution dated March 11, 2021, denying their Motion for Reconsideration.

On April 22, 2021, petitioners posted their Motion for Extension of Time to File Petition for Review, praying that they be allowed to file their Petition for Review until May 15, 2021. This was granted under Resolution dated June 17, 2021.

On May 24, 2021, petitioners filed their Petition for Review, docketed as CTA AC No. 253.

By impugned Decision[10] dated January 25, 2024, it was found that respondent imposed local taxes on petitioners covering TYs 2009 to 2022. Under Section 19 of FRIA, waiver of, *inter alia,* local taxes or fees applies from the date of issuance of the commencement order, and until approval of the rehabilitation plan or dismissal of the petition for rehabilitation, whichever comes first. RTC-Pampanga issued the Commencement Order on December 17, 2008, and approved the Rehabilitation Plan on December 16, 2009. *Ergo*, local taxes for TY 2009 are waived *in part* (from January 1, 2009 until December 16, 2009), whereas local taxes for: (1) December 17, 2009 to December 31, 2009; and (2) TYs 2010 to 2022 are *not* waived because they accrued *after* approval of the rehabilitation plan. Precisely, the CTA in Division disposed CTA AC No. 253 as follows:

> **WHEREFORE**, in light of the foregoing considerations, the instant Petition is **PARTIALLY GRANTED** only insofar as taxes

[10] *Supra* note 2.

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> for the period of 17 December 2008 to 16 December 2009 are concerned, which taxes are deemed waived by express provision of ***Section 19 of Republic Act No. 10[1]42***.
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> The Assailed Resolutions, dated 27 January 2021 and 11 March 2021, are accordingly hereby so **MODIFIED**.
>
> **SO ORDERED.**

Petitioners filed their Motion for Reconsideration,[11] while respondent filed its own Motion for Partial Reconsideration;[12] both of which challenged the CTA in Division's Decision dated January 25, 2024.

Through the equally assailed Resolution[13] dated June 11, 2024, the CTA in Division denied petitioners' Motion for Reconsideration and respondent's Motion for Partial Reconsideration.

Hence, the present[14] recourse.

Petitioners argue that true, Section 19 of FRIA acknowledges waiver of, *inter alia,* local taxes from the date of issuance of the commencement order until approval of the rehabilitation plan, or dismissal of the petition for rehabilitation, whichever comes first. Nevertheless, should said provision be isolated with the other provisions, *i.e.,* Sections 15, 16, 17, and 21, of the same law on stay or suspension orders, no real benefit would redound in their favor.

Respondent interjected no comment on petitioners' Petition, despite notice.[15]

RULING

The Petition fails to impress.

Indeed, "[r]estoration is the central idea behind the remedy of corporate rehabilitation. In common parlance, to 'restore' means 'to

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11 Division Docket, pp. 340-370.
12 *Id.* at pp. 371-379.
13 *Supra* note 3.
14 *Supra* note 1.
15 See Records Verification Report dated November 7, 2024. *Rollo,* p. 59.

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bring back to or put back into a former or original state.' Case law explains that corporate rehabilitation contemplates a continuance of corporate life and activities in an effort **to restore and reinstate the corporation to its former position of successful operation and solvency, the purpose being to enable the company to gain a new lease on life and allow its creditors to be paid their claims out of its earnings.**"[16] Among the aids to meet the foregoing purposes is a provision dedicated to waiver of taxes and fees, found under Section 19 of FRIA, which reads:

> SEC. 19. *Waiver of taxes and Fees Due to the National Government and to Local Government Units (LGUs).* — **Upon issuance of the Commencement Order by the court, and until the approval of the Rehabilitation Plan or dismissal of the petition, whichever is earlier, the imposition of all taxes and fees including penalties, interests and charges thereof due to the national government or to LGUs shall be considered waived,** in furtherance of the objectives of rehabilitation.[17]

Appositely, when the law is clear and free from any doubt or ambiguity, there is no room for construction or interpretation. There is only room for application. As the provisions are clear, plain, and free from ambiguity, they must be given their literal meaning and applied without attempted interpretation. This is what is known as the plain meaning rule, as expressed in the maxim, *verba legis non est recedendum,* or from the words of a statute there should be no departure.[18]

Section 19 of FRIA is unequivocal; hence, should be applied *sans* construal—the *imposition* of, among others, all taxes and fees shall be deemed *waived,* upon the issuance of commencement order by the court, and until the approval of the rehabilitation plan or dismissal of the petition, whichever is earlier.

Here, RTC-Pampanga issued the Commencement Order on December 17, 2008, and approved the Rehabilitation Plan on December 16, 2009. Following Section 19 of FRIA, all taxes imposed from December 17, 2008 to December 16, 2009 are deemed waived. Therefore, the CTA in Division is correct in holding that a fragment of local taxes accruing from January 1, 2009 to December 16, 2009 are

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[16] *BPI Family Savings Bank, Inc. v. St. Michael Medical Center, Inc.,* G.R. No. 205469, March 25, 2015. Boldfacing and underscoring in the original.

[17] Boldfacing ours.

[18] See *Dubongco, et al. v. Commission on Audit,* G.R. No. 237813, March 5, 2019.

deemed waived, while local taxes accruing from December 17, 2009 onwards, including those local taxes for TYs 2010 to 2022 are *not* waived.

Petitioners implore Us to correlate Section 19 of FRIA with the *other* provisions, *i.e.*, Sections 15, 16, 17, and 21,[19] of same law on stay or suspension orders to garner an opposite result. Even if this were to be done, Our conclusion remains the same.

Bureau of Internal Revenue, et al. v. Lepanto Ceramics, Inc. (LCI)[20] summarized the effect of stay or suspension orders, as follows:

> In order to achieve such objectives, Section 16 of RA 10142 provides, *inter alia,* that upon the issuance of a Commencement Order - which includes a Stay or Suspension Order - <u>all actions or proceedings, in court or otherwise, for the enforcement of "claims" against the distressed company shall be suspended</u>. Under the same law, claim "shall refer to all claims or demands of whatever nature or character against the debtor or its property, whether for money or otherwise, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, including, but not limited to; (1) **all claims of the government, whether national or local, including taxes, tariffs and customs duties;** and (2) claims against directors and officers of the debtor arising from acts done in the discharge of their functions falling within the scope of their authority: *Provided,* That, this inclusion does not prohibit the creditors or third parties from filing cases against the directors and officers acting in their personal capacities."[21]

Black defines "suspension" as "[a] temporary stop, a temporary delay, interruption, or cessation."[22] In other words, the effect of stay or suspension orders referred to in *LCI* is the temporary stoppage or halt of all actions or proceedings, in court or otherwise, *pertaining to the enforcement of, inter alia, taxes imposed* against the distressed company.

On the other hand, *F.F. Cruz & Co., Inc. v. HR Construction Corp. (HCC)*[23] discussed the legal concept of *waiver*, in this wise:

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19 Cited by petitioners in pages 4-8 of the Petition in CTA EB No. 2953. *Rollo*, pp. 8-12.
20 G.R. No. 224764, April 24, 2017.
21 Boldfacing in the original. Underscoring ours. Cited by petitioners in paragraph 16 of their Petition in CTA EB No. 2953. *Rollo*, p. 14.
22 Black's Law Dictionary, Revised Fourth Edition, p. 1616.
23 G.R. No. 187521, March 14, 2012.

> Waiver is defined as "a voluntary and intentional relinquishment or abandonment of a known existing legal right, advantage, benefit, claim or privilege, which except for such waiver the party would have enjoyed; the voluntary abandonment or surrender, by a capable person, of a right known by him to exist, with the intent that such right shall be surrendered and such person forever deprived of its benefit; or such conduct as warrants an inference of the relinquishment of such right; or the intentional doing of an act inconsistent with claiming it."

Consistent with *HCC,* waiver of imposition of taxes under Section 19 of FRIA means the abandonment or relinquishment by the taxing authority of the right to impose taxes upon the taxpayer.

With these points in mind, the theory that a standing stay or suspension order may lead to extinguishment of the right to impose taxes against the taxpayer is *non sequitur.* To underscore, the effect of a standing stay or suspension order is the *momentary stoppage of the right to enforce taxes imposed upon the taxpayer,* such as petitioners. This effect **cannot** be stretched as to cover the abandonment or relinquishment of respondent's *right to impose* taxes against petitioners. Simply put, a standing stay or suspension order referred to in Sections 15, 16, 17, and 21 of FRIA neither obliterates nor blots out tax liabilities; only the waiver provision under Section 19 thereof does.

Paying heed to Our prior discourse, since petitioners sought the *waiver* of the local taxes imposed by respondent for TYs 2009 to 2022, only those local taxes accruing from the issuance of the Commencement Order (December 17, 2008) until approval of the Rehabilitation Plan (December 16, 2009) are deemed *waived* under Section 19 of FRIA. Those local taxes accruing from December 17, 2009 onwards, including local taxes covering TYs 2010 to 2022 are *not waived,* a standing stay or suspension order notwithstanding.

ACCORDINGLY, the Petition for Review dated August 5, 2024 in CTA EB No. 2953 is **DENIED,** for lack of merit. The Decision dated January 25, 2024 and Resolution dated June 11, 2024, both rendered by the Court of Tax Appeals – Special Third Division, in CTA AC No. 253 are **AFFIRMED.**

SO ORDERED.

MARIAN IVY F. REYES-FAJARDO
Associate Justice

WE CONCUR:

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

With Concurring and Dissenting Opinion
JEAN MARIE A. BACORRO-VILLENA
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

LANEE S. CUI-DAVID
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice

I Join the Concurring and Dissenting Opinion of J. JBV
HENRY S. ANGELES
Associate Justice

CERTIFICATION

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

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
Quezon City

EN BANC

CALFURN MFG. PHILIPPINES INCORPORATED[*] and AWECA CARGO SERVICES, INC.,
Petitioners,

- versus -

JULIETA G. QUINSAAT in her capacity as Treasurer of Angeles City, Province of Pampanga,
Respondent.

CTA EB No. 2953
(CTA AC No. 253)

Present:

RINGPIS-LIBAN, *P.J.*,
BACORRO-VILLENA,
MODESTO-SAN PEDRO,
REYES-FAJARDO,
CUI-DAVID,
FERRER-FLORES, *and*
ANGELES, *JJ.*

Promulgated:
JAN 15 2026 4:05 p.m.

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CONCURRING AND DISSENTING OPINION

BACORRO-VILLENA, J.:

I concur with the *ponencia* of my esteemed colleague, Associate Justice Marian Ivy F. Reyes-Fajardo, in denying petitioners Calfurn Mfg. Philippines Incorporated's and Aweca Cargo Services, Inc.'s (**petitioners**') Petition for Review filed on 05 August 2024.[1] **I vote to deny, however, solely on the ground that this Court's Special Third Division lacks jurisdiction over the case.**

Respectfully, I forward the legal grounds below to support the position I have taken.

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[*] The following petitioners in CTA AC No. 253, namely: (1) Aim-Ex Asia Int'l Trading Corporation; (2) Asia Rattan Mfg. Company; (3) Aweca Exim Trading Corporation; and (4) Aweca Agro-Forest Industries Corporation, were merged with Calfurn Mfg. Philippines Incorporated.

[1] *Rollo*, pp. 5-26.

In *Golden Cane Furniture Manufacturing Corporation v. Steelpro Philippines, Inc., et al.*[2], the Supreme Court definitively held that orders in rehabilitation proceedings, whether approving or disapproving a rehabilitation plan, as well as those issued after the plan's approval, are reviewable only by the Court of Appeals (**CA**) through a special civil action for *certiorari*.

Section 1, Rule 6 of the 2013 Financial Rehabilitation Rules of Procedure[3] (**FRRP**), explicitly states that:

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> RULE 6
> *Procedural Remedies*
>
> SEC. 1. *Motion for Reconsideration.* — A party may file a motion for reconsideration of any order issued by the court prior to the approval of the Rehabilitation Plan. No relief can be extended to the party aggrieved by the court's order on the motion through a special civil action for *certiorari* under Rule 65 of the Rules of Court.
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> **An order issued after the approval of the Rehabilitation Plan can be reviewed only through a special civil action for *certiorari* under Rule 65 of the Rules of Court.**
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> SEC. 2. *Review of Decision or Order on Rehabilitation Plan.* — An order approving or disapproving a rehabilitation plan can only be reviewed through a petition for certiorari to the **Court of Appeals** under Rule 65 of the Rules of Court within fifteen (15) days from notice of the decision or order.
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> ...

Here, petitioners assail the Resolutions dated 27 January 2021[4] and 11 March 2021[5] (**assailed RTC Resolutions**), issued by Branch 42, Regional Trial Court (**RTC**) of Pampanga, (**Rehabilitation Court/RC**) which denied petitioners' "Motion for Exemption (for Local Taxes and Fees)" (**Motion for Exemption**). These were issued long after the Rehabilitation Plan had been approved on 16 December 2009.[6] They are, by any measure, post-approval orders squarely within the contemplation of the aforequoted Rule 6 of the FRRP.

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2 G.R. No. 198222, 04 April 2016.
3 A.M. No. 12-12-11-SC; Emphasis supplied and italics in the original text.
4 Division Docket, pp. 31-36.
5 Id., pp. 37-41.
6 Id., p. 32.

Because the governing framework directs review of post-approval rehabilitation-court orders to the CA *via* Rule 65 of the Rules on Civil Procedure (**RCP**), as amended, petitioners' resort to the Court of Tax Appeals (CTA) *via* a petition for review is procedurally and jurisdictionally infirm.

It bears emphasis that the CTA, being a court of special and limited jurisdiction, can only take cognizance of matters which are clearly within its jurisdiction.[7] Consequently, it cannot assume a mode of review that the existing rehabilitation rules expressly allocate to the CA.

As a corollary, the statutory appellate jurisdiction of the CTA over RTC decisions and final orders is confined to "local tax cases." The assailed RTC Resolutions, however, are rehabilitation-court orders resolving a motion filed within a rehabilitation proceeding that the FRRP directs to the CA for a Rule 65 review.

Additionally, settled is the rule that what determines the nature of the action and which court has jurisdiction over it are the allegations of the petition and the character of the relief sought.[8] The cause of action in a petition is not determined by the designation given to it by the parties.[9] The allegations in the body of the petition define or describe it.[10] The designation or caption is not controlling more than the allegations in the petition.[11] It is not even an indispensable part of the petition.[12] Accordingly, a review of the allegations is proper in order to determine the real nature of the cause of action pleaded in the petition and if petitioners are, in substance, raising a local tax case within this Court's Special Third Division's appellate competence, or instead seeking review of a rehabilitation-court order that the FRRP makes cognizable by the CA *via* Rule 65.

The petition pertinently alleges as follows:[13]

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> **17. The following are the relevant provisions of the FRIA Law:**

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7 *Commissioner of Internal Revenue v. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*, G.R. No. 190021, 22 October 2014.

8 *Patricio A. Villena v. Patricio S. Payoyo*, G.R. No. 163021, 27 April 2007, citing *Spouses Jorge J. Huguete and Yolanda B. Huguete v. Spouses Teofredo Amarillo Embudo and Marites Huguete-Embudo*, G.R. No. 149554, 01 July 2003.

9 *Sps. Carlos Munsalud and Winnie Munsalud v. National Housing Authority*, G.R. No. 167181, 23 December 2008.

10 Id.

11 Id.

12 Id.

13 Division Docket, pp. 19-23; Underscoring, italics and emphasis in the original text and supplied.

> **Section 19.** Waiver of Taxes and Fees Due to the National Government and the Local Government Units (LGUS). Upon issuance of the commencement Order by the court, and until the approval of the Rehabilitation Plan or dismissal of the petition, whichever is earlier, the imposition of all taxes and fees including penalties, interests and charges thereof due to the national government or to LGUs shall be considered waived, in furtherance of the objectives of rehabilitation.
>
> **Section 21.** Effectivity and Duration of Commencement Order - <u>Unless lifted by the court, the commencement Order shall be effective for the duration of the rehabilitation proceedings for as long as there is a substantial likelihood that the debtor will be successfully rehabilitated</u>. In determining whether there is substantial likelihood for the debtor to be successfully rehabilitated, the court shall ensure that the following minimum requirements are met: xxxx *anyway by the petitioners herein.*

18. Consistent with the **laudable objectives of existing rehabilitation laws, it is respectfully observed that the helping hand extended by the government to corporations under distress** comes in two tiers.

> 18.1. The first is the express provision of the FRIA Law embodied in Section 19 which directs the waiver by the national government and the local government unit having jurisdiction over the corporation from imposing and collecting taxes "<u>until the approval of the Rehabilitation Plan or dismissal of the petition, whichever is earlier</u>."
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> 18.2. The second which Petitioners now respectfully submit is that upon the approval of the rehabilitation plan or dismissal of the petition, whichever comes earlier, the national government and the local government unit are still precluded from collecting taxes. The reason for this prohibition is the issuance of the stay order during the early days from the filing of the petition. Said stay order as per applicable law will be effective until lifted by reason of the termination of the rehabilitation proceedings and covers all claims against corporations under distress, including the claims of the government.

19. Petitioners have been exerting their best efforts - in all possible ways by maximizing available resources with the guidance of the Rehab Court and Receiver to attain the desired objectives of Rehabilitation Plan. The processes though move slow because of this

pandemic, but surely are being attained with the valuable cooperation of their suppliers by following the clear practical explanation by an authority on Commercial Law. In his book, "Philippine Commercial Law" 2013 edition, Atty. Cesar L. Villanueva stated:

> "By expressly providing that the Commencement Order shall "prohibited the debtor's suppliers of goods or services from withholding the supply of goods and services in the ordinary course of business for as long as the debtor makes payments for the services or goods supplied after the issuance of the Commencement Order." And shall "authorize the payment of administrative expenses as they become due." FRIA seeks to preserve the "**going concern**" value of the business enterprise of petitioning debtor, that would allow its management employees, suppliers, lenders and other creditors to continue to extend services and/or credit to the company as it works out its rehabilitation plan.

This is truly and exception to the '*equality in equity*" rule which would treat all creditors to be equally bound by the suspensive effect of the stay order, and therefore tends to give a premium to new services and credit accommodations extended to the company after the issuance of the stay order. Such preference in treatment of creditors who supply "new money" to the company is essential to achieving the financial recovery of its operations which would redound to the benefit of all creditors in the long run pursuant to the terms of the approved rehabilitation plan.

5. Effectivity and Duration of Commencement Order

FRIA provides that unless lifted by the court, the Commencement Order shall be effective for the duration of the rehabilitation proceedings for as long as there is a substantial likelihood that the debtor will be successfully rehabilitation. The requirement for the "substantial likelihood that the debtor will be successfully rehabilitated" is meant to comply with the constitutional prohibition against impairment of property rights, as an aspect of the due process clause.

[a.] ***Rationale of Automatic Stay and the Stay Order***

During the period when SEC had original and exclusive jurisdiction over corporate rehabilitation proceedings, the Supreme Court, in *BF Homes, Inc. v. Court of Appeals*, began to explain the rationale behind the automatic stay provisions in corporate rehabilitation proceedings as follows:

In light of these powers, the reason of suspending actions for claims against the corporation should not be difficult to discover. It is not really to enable the management committee or the rehabilitation receiver to substitute the defendant in any pending action against it before any court, tribunal, board or body. Obviously, the real justification is to enable the management committee or rehabilitation receiver to effectively exercise its/his powers free from any judicial or extrajudicial interference that might unduly hinder or prevent the "rescue" of the debtor company. To allow such other action to continue would only add to the burden of the management committee or rehabilitation receiver, whose time, effort and resources would be wasted in defending claims against the corporation instead of being directed towards its restructuring and rehabilitation.

b. FRIA Provides Clearly When the commencement Order and/ Stay Order Become effective

At present, FRIA provides that the rehabilitation proceedings "shall commence upon the issuance of the commencement Order, which shall... include a Stay or Suspension Order which shall-- suspend all actions or proceedings, in court or otherwise, for the enforcement of claims against the debtor,... suspend all actions to enforce any judgment, attachment or other provisional remedies against the debtor."

Therefore, the enormous amount of pre-FRIA jurisprudence that had **come out on the effectivity of the stay order under Section 6c of P.D. 902-A being dependent on whether or not the management committee or rehabilitation receiver have been duly appointed have all become irrelevant**. xxx"

20. Petitioners agree that paying taxes being the lifeblood of the local government. In fact, Petitioner CALFURN and AWECA CARGO paid, but rightfully under **protest because of the waiver legally granted them under afore-quoted Sections 19, 21, 74 and 75 of the FRIA law**. A total amount of **SIX MILLION THREE HUNDRED FOURTEEN THOUSAND ONE HUNDRED SEVENTY ONE ([₱]6,314,171.00) PESOS**, broken down into **FOUR MILLION EIGHT HUNDRED FORTY FIVE THOUSAND THREE HUNDRED SIXTY SIX ([₱]4,845,366.00) PESOS** and **ONE MILLION FOUR HUNDRED SIXTY EIGHT THOUSAND EIGHT HUNDRED FIVE ([₱]1,468,805.00) PESOS**, were paid for local taxes by CALFURN and AWECA, *respectively*, for the years 2010 up to 2019 despite the pandemic where almost all business firms were forced to put a halt their operations. And others even had to close their businesses. Petitioners have to legally and rightfully pursue this motion for waiver of local taxes similar to national taxes, because every centavo is

> needed for the success of the duly approved Rehabilitation Plan in order to survive and continue their business activities just to maintain their employees' earnings for their respective families subsistence, education and good health of their children. Petitioners consider them as members of their big family already from the time that they put up their various businesses by providing gainful employment for residents in Angeles City.
>
> ...

It is clear from petitioners' own allegations that, although the controversy touches on local taxes, the dispute does not arise from the assessment, imposition, protest, collection or a refund of local tax under the Local Government Code (LGC) of 1991, as amended. *Rather*, petitioners anchor their cause on the legal consequences of corporate rehabilitation under Republic Act (RA) No. 10142[14], otherwise known as the Financial Rehabilitation and Insolvency Act of 2010 (FRIA), particularly the binding effect of rehabilitation proceedings and plan approval on the treatment, suspension or extinguishment of claims, including those asserted by local government units (LGUs). <u>What is placed in issue is not a local tax measure as such, but the reach and force of FRIA upon demands that happen to be local tax-related</u>.

Because the petition's ultimate objective is to reverse the RC's post-approval Resolutions construing the effect of rehabilitation and the approved plan on petitioners' alleged local tax liabilities, such challenge lies with the CA through a special civil action for *certiorari* under Rule 65 of the RCP, as amended, not with the CTA *via* petition for review.

In fact, jurisprudence teaches that the involvement of local taxes does not automatically make a case a "local tax case" appealable to the CTA.[15] What controls is the nature of the action and the reliefs sought.[16] Measured against this legal yardstick, petitioners' recourse cannot be treated as a local tax case. It does not seek a determination of (a) the legality or validity of a local tax assessment (including real property tax), (b) the resolution of a protest or disputed assessment (including surcharges or penalties), (c) the validity of a tax ordinance, (d) a claim for refund or tax credit, (e) an action for collection of local tax due, or (f) questions on prescription of assessments.[17] Instead, it invites this

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[14] AN ACT PROVIDING FOR THE REHABILITATION OR LIQUIDATION OF FINANCIALLY DISTRESSED ENTERPRISES AND INDIVIDUALS.

[15] See *Mactel Corporation v. The City Government of Makati, et al.*, G.R. No. 244602, 14 July 2021.

[16] Id.

[17] Id.

Court's Special Third Division to review the RC's interpretation of FRIA and the legal consequences of rehabilitation on tax-related claims. That inquiry squarely lies beyond the CTA's special and limited jurisdiction.

Nor may the petition be plausibly recharacterized as a local tax refund case to bring it within the CTA's limited jurisdiction. Petitioners frame their demand as one for "exemption", and the records do not clearly establish prior payment, the indispensable factual requisite of any refund. More tellingly, there is no showing of compliance with statutory procedures governing local tax refunds under Sections 196[18] (for local business taxes) and 252[19] (for real property taxes) of the LGC of 1991, as amended. The claim, as presented, is not and cannot be treated as a refund claim cognizable as a local tax case.

En totale, the Special Third Division's jurisdiction over the case is wanting.

All told, I vote to **DENY** the *Petition for* Review, not on the merits of the case, but because this Court's Special Third Division is not the proper forum to grant the reliefs sought.

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

18 **Sec. 196**. *Claim for Refund of Tax Credit.*
19 **Sec. 252**. *Payment Under Protest.*