CTA Form No. 8

24-000746-0014

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL FIRST DIVISION

CTA AC NO. 353

CITY OF TAGUIG, ATTY. J. VOLTAIRE L. ENRIQUEZ in his capacity as OIC-City Treasurer-City of Taguig and ATTY. FANELLA JOY PANGA CRUZ in her capacity as OIC of the Business Permits and Licensing Office (BPLO)- City of Taguig,
Defendants-Petitioners,

NOTICE OF DECISION

- versus -

COSMOS BOTTLING CORPORATION,
Plaintiff-Respondent.

x--x

CTA AC NO. 356

COSMOS BOTTLING CORPORATION,

Plaintiff-Petitioner,

- versus -

CITY OF TAGUIG, ATTY. J. VOLTAIRE L. ENRIQUEZ in his capacity as OIC-City Treasurer-City of Taguig and ATTY. FANELLA JOY PANGA CRUZ in her capacity as OIC of the Business Permits and Licensing Office (BPLO)- City of Taguig,
Defendant-Respondents.

To:

ATTY. FATIMA A. ALCONCEL-RELENTE
ATTY. MICHELENE C. MALASA-MUEGO
(Counsel for City of Taguig & BPLO of City of Taguig)
City Legal Office
4/F Taguig City Hall, Gen.Luna Street
Barangay Tutukan, 1630 Taguig City

A.M. SISON, JR. & PARTNERS
(Counsel for Cosmos Bottling Corporation)
Suite 2002-A, Security Bank Centre
6776 Ayala Avenue, Makati City

HON. BERNARD PINEDA BERNAL
Presiding Judge
Thru: Branch Clerk of Court
National Capital Judicial Region
Regional Trial Court
Branch 70, Taguig City
Ground Floor, Hall of Justice, Gen. Santos Avenue
Central Bicutan, Taguig City

GREETINGS:

You are hereby notified by these presents that on **May 6, 2026,** a Decision was rendered in the above-entitled case, copy of which is attached hereto.

Quezon City, Philippines, **May 11, 2026.**

Atty. Maria Johoanna F. Chan-Te
Executive Clerk of Court III

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL FIRST DIVISION

CITY OF TAGUIG, ATTY. J. VOLTAIRE L. ENRIQUEZ in his capacity as OIC-City Treasurer-City of Taguig, and **ATTY. FANELLA JOY PANGA CRUZ** in her capacity as OIC of the Business Permits and Licensing Office (BPLO)-City of Taguig,
Defendants-Petitioners,

CTA AC Case No. 353

- versus -

COSMOS BOTTLING CORPORATION,
Plaintiff-Respondent.

x - - - - - - - - - - - - - - - - - x

COSMOS BOTTLING CORPORATION,
Plaintiff-Petitioner,

CTA AC Case No. 356

- versus -

CITY OF TAGUIG, ATTY. J. VOLTAIRE L. ENRIQUEZ in his capacity as OIC-City Treasurer-City of Taguig, and **ATTY. FANELLA JOY PANGA CRUZ** in her capacity as OIC of the Business Permits and Licensing Office (BPLO)-City of Taguig,
Defendants-Respondents.

Members:

BACORRO-VILLENA, Acting *Chairperson, and*
CUI-DAVID, *JJ.*

Promulgated:
MAY 0 6 2026; 11:45 AM

x - x

DECISION

BACORRO-VILLENA, J.:

The instant disposition consolidates two (2) petitions filed pursuant to Section 3(a)(3)[1], Rule 4 of the Revised Rules of the Court of Tax Appeals (**RRCTA**), assailing the Decision dated 02 July 2024[2] (**assailed Decision**), Resolution dated 30 October 2024[3] (**first assailed Resolution**) and Resolution dated 09 January 2025[4] (**second assailed Resolution**) all rendered by the Regional Trial Court (**RTC/court a *quo***) of Taguig City, Branch 70, in Civil Case No. 220, entitled *Cosmos Bottling Corporation v. City of Taguig, Atty. J. Voltaire L. Enriquez in his capacity as OIC-City Treasurer-City of Taguig and Atty. Fanella Joy Panga Cruz in her capacity as OIC of the Business Permits and Licensing Office (BPLO)- City of Taguig.*

The first petition, docketed as CTA AC Case No. 353, is a Petition for Review filed by petitioners City of Taguig (**Taguig City**), Atty. Voltaire L. Enriquez, in his capacity as officer-in-charge (**OIC**)-City Treasurer-City of Taguig (**City Treasurer**) and Atty. Fanella Joy Panga Cruz in her capacity as OIC of the Business Permits and Licensing Office (**BPLO**)-City of Taguig (**City BPLO**) *via* registered mail on 06 January 2025 against respondent Cosmos Bottling Corporation (**CBC**).[5]

Docketed as CTA AC Case No. 356, the second is a Petition for Review filed *via* registered mail by petitioner CBC on 13 February 2025 against respondents Taguig City, its City Treasurer and City BPLO.[6]

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1 **SEC. 3.** *Cases within the jurisdiction of the Court in Division.* – The Court in Division shall exercise:
(a) Exclusive original over or appellate jurisdiction to review by appeal the following:
...
(3) Decisions, resolutions or orders of the Regional Trial Courts in local tax cases decided or resolved by them in the exercise of their original jurisdiction[.]

2 Division Docket (CTA AC Case No. 353), pp. 46-59.

3 Id., pp. 60-62.

4 Division Docket (CTA AC Case No. 356), pp. 49-51.

5 Petition for Review, Division Docket (CTA AC Case No. 353), pp. 31-45.

6 Petition for Review, Division Docket (CTA AC Case No. 356), pp. 5-26.

PARTIES OF THE CASE

Taguig City is a local government unit (**LGU**) created and existing under and by virtue of its charter Republic Act (**RA**) No. 8487.[7] It is represented by its incumbent City Mayor, Hon. Ma. Laarni L. Cayetano, with office at Taguig City Hall, Gen. A. Luna Street, Barangay Tuktukan, 1630 Taguig City, Metro Manila, where court processes may likewise be served through the City Legal Office on the 4th Floor of the same building.[8]

In addition, the City Treasurer is represented by Atty. Jonathan Voltaire L. Enriquez. He holds office at the Office of the City Treasurer, Taguig City Hall, and may likewise be served through the City Legal Office.[9]

Moreover, the City BPLO is represented by Atty. Fanella Joy Panga Cruz, as OIC of the BPLO. However, the BPLO is currently headed by Atty. Maria Theresa S. Veloso. She holds office at the BPLO, Taguig City Hall, and may likewise be served through the City Legal Office.[10]

On the other hand, CBC is a domestic corporation allegedly engaged in the manufacture and sale of beverage products, with principal office at the 27th Floor, Net Lima (Six/NEO) Building, 5th Avenue corner 26th Street, Bonifacio Global City, Taguig City, Metro Manila (**Taguig office**). As one of Taguig City's registered corporate taxpayers, it may be served with court processes through its counsel, A.M. SISON, JR. & PARTNERS, located at Suite 2002-A, Security Bank Centre, 6776 Ayala Avenue, Makati City, Metro Manila.[11]

FACTS OF THE CASE

In January 2017, CBC sought to renew its business permit with Taguig City, declaring that its Taguig office functioned solely as an administrative office with no income-generating activities. In its

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7 AN ACT CONVERTING THE MUNICIPALITY OF TAGUIG, METRO MANILA, INTO A HIGHLY URBANIZED CITY TO BE KNOWN AS THE CITY OF TAGUIG, AND FOR OTHER PURPOSES.
8 See Par. 16, Parties, Petition for Review, supra at note 6, p. 8.
9 Par. 17, id.
10 Par. 18, id.
11 Par. 14, The Parties, Petition for Review, supra at note 5, p. 34.

application for business permit renewal (**Application Form**) filed on 09 January 2017,[12] CBC specified that it maintained a floor area of 24.245 square meters, engaged in "ADMIN OFFICE ONLY," and reported "NO INCOME." CBC clarified that all manufacturing and distribution activities were handled by Coca-Cola FEMSA Philippines, Inc. (**CCFPI**) [now Coca-Cola Beverages Philippines, Inc. (**CCBPI**)], while its Taguig office merely oversaw planning, budgeting, finance, human resources and legal compliance functions for its nationwide operations.[13]

Despite this declaration, Taguig City's City Treasurer, through a Billing Statement dated 09 January 2017,[14] assessed CBC ₱1,320,336.49 in local business tax (**LBT**) under the classification of "services" or as a *contractor*, ₱625.00 in environmental impact fee (**EIF**), ₱6,000.00 in mayor's permit, ₱2,346.00 in permits and fees and ₱10,500.00 for a corporate community tax certificate (**CTC**), totaling ₱1,339,807.49 for the first (1st) quarter of taxable year (**TY**) 2017. The LBT computation was allegedly based on CBC's value-added tax (**VAT**) returns for the 1st to third (3rd) quarters of 2015.[15] Since nonpayment would result in the non-issuance of its 2017 business permit, CBC paid under protest the amount on 10 January 2017[16] to avoid disruption of its administrative operations.

On 08 March 2017, CBC filed a "Protest Against 2017 Billing Statement with Claim for Refund or Tax Credit in the amount of [₱]1,321,211.49"[17] (**protest**) with the City Treasurer, seeking the return of ₱1,321,211.49, representing the LBT, EIF and Fire Code fee it had paid under protest, to wit:

LBT	₱1,320,336.49
EIF	625.00
Fee based on the Fire Code	250.00
Total	**₱1,321,211.49**

CBC argued that it should not be taxed as a *manufacturer* or *contractor* since no sales or income were derived from its Taguig office. To substantiate this, CBC submitted a "Certification of Gross

12 Exhibit "Q", RTC Records, Volume II, pp. 202-203.
13 Exhibit "U", id., pp. 207-213.
14 Exhibit "R", id., p. 204.
15 Par. 16, Complaint, id., Volume I, pp. 6-7.
16 Exhibit "S", id., Volume II, p. 205.
17 Exhibit "U", supra at note 13.

Sales/Revenue [*per* branch] for the year 2016"[18] (**Certification**) dated 11 January 2017, with no recorded sales in Taguig City.

PROCEEDINGS BEFORE THE REGIONAL TRIAL COURT

On 20 June 2017, CBC filed a Complaint[19] before the RTC seeking the refund of ₱1,320,336.49, representing the LBT it had allegedly paid. It asserted that Taguig City acted without authority in assessing and collecting business taxes on activities that were administrative in nature and not conducted within its territorial jurisdiction.

On 24 July 2017, summons was issued upon Taguig City, its City Treasurer and City BPLO directing them to file an Answer within fifteen (15) days from the date of receipt thereof.[20]

Instead of filing an Answer, Taguig City, its City Treasurer and City BPLO filed a "Motion to Dismiss"[21] (**MTD**) on 23 August 2017. Consequently, CBC filed a "Motion to Declare [Taguig City, its City Treasurer and City BPLO] in Default and Comment/Opposition to [Taguig City's, its City Treasurer's and City BPLO's] [MTD]"[22] (**Motion in Default**) to which Taguig City, its City Treasurer and City BPLO filed their "Reply and Comment/Opposition"[23] on 18 September 2017. The court *a quo* in its Order dated 11 June 2019,[24] denied the MTD and Motion in Default and asked Taguig City, its City Treasurer and City BPLO to file their Answer to CBC's Complaint.

In compliance with the court *a quo*'s directive, on 10 December 2019, Taguig City, its City Treasurer and City BPLO filed their Answer,[25] asserting that: (1) they had validly imposed the LBT for the 1^{st} quarter of CY 2017 as CBC is engaged in the business of selling services for a fee, *i.e.*, production and distribution of non-alcoholic beverages; and (2) CBC's claim of exemption from LBT is bereft of legal basis.

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18 Exhibit "F", RTC Records, Volume II, p. 112.
19 Complaint, id., Volume I, pp. 3-22.
20 Id., pp. 153-154.
21 Id., pp. 163-172.
22 Id., pp. 173-188.
23 Id., pp. 201-208.
24 Id., pp. 210-216.
25 Id., pp. 318-328.

Thereafter, the court *a quo* referred the case to mediation on 19 December 2019.[26] On 26 December 2019, CBC then filed its Written Interrogatories.[27] Taguig City, its City Treasurer and City BPLO later filed their Rejoinder[28] on 23 January 2020 and their "Objections to [CBC's] Written Interrogatories"[29] on 14 February 2020, to which CBC filed its Comment on 17 February 2020.[30] After mediation failed, the court *a quo* set the case for pre-marking of documentary exhibits and pre-trial on 13 July 2020.[31]

In the meantime, the court *a quo*, through its Order dated 11 November 2020,[32] granted Taguig City's, its City Treasurer's and City BPLO's "Opposition to [CBC's] Written Interrogatories."

On 22 January 2021,[33] the court *a quo* held the Pre-Trial Conference (**PTC**), during which the parties adopted their marked documentary exhibits, identified the issues for resolution, named their witnesses and completed their stipulation of facts. The court *a quo* thereafter referred the case to judicial dispute resolution (**JDR**). The JDR failed on 11 March 2022.[34] The court *a quo* thereafter resumed and terminated pre-trial on 06 May 2022.[35]

On 20 May 2022, CBC filed a "Manifestation with Omnibus Motions,"[36] seeking leave of court to allow the notation on certain exhibits that they had been compared with the original or certified true copies, and correction of the Pre-Trial Order (**PTO**) dated 06 May 2022. On 25 May 2022, Taguig City, its City Treasurer and City BPLO likewise moved to amend the PTO.[37] During the hearing on 10 June 2022,[38] the court *a quo* granted both motions insofar as they sought amendment of the PTO, but denied CBC's proposed inclusion of the admitted facts.

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26 Id., pp. 343-344.
27 Id., pp. 345-349.
28 Id., pp. 373-378.
29 Id., pp. 384-390.
30 Id., pp. 391-395.
31 Id., p. 396.
32 Id., Volume II, pp. 256-260.
33 Id., p. 262.
34 Id., p. 401.
35 See Pre-Trial Order dated 06 May 2022, id., pp. 404-413.
36 Id., pp. 487-705.
37 Id., pp. 707-709.
38 See Order dated 10 June 2022, id., pp. 719-720.

On 22 June 2022, CBC thereafter filed a "Manifestation with Motion for Reconsideration."[39] In its Order dated 22 July 2022,[40] the court *a quo* granted the motion and directed the inclusion of the facts and admissions made by Taguig City, its City Treasurer and City BPLO in their Answer. On 14 November 2022, CBC later filed a "Supplemental Motion for Substitution and Amend Title of the Case."[41]

Trial thereafter ensued, with CBC presenting its lone witness, Gil T. Lizaso (**Lizaso**), current CCBPI's Tax Specialist, handling its local tax compliance and affiliates, including CBC, who testified *via* his judicial affidavit.[42]

During the 25 November 2022 hearing, Lizaso testified that: (1) CBC was a domestic corporation registered with the Securities and Exchange Commission (**SEC**) for manufacturing and selling beverage products; (2) it ceased operations on 30 September 2017; (3) it had no factories outside Taguig City before 30 September 2017; (4) its beverage products were toll-manufactured, distributed and delivered to dealers by CCBPI; (5) CBC and CCBPI had a Toll Manufacturing Agreement[43] and Distributorship Agreement;[44] (6) CCBPI served as the exclusive distributor of CBC's products; (7) consequently, CCBPI plants were deemed as CBC's branches; (8) CBC paid LBT as a manufacturer in the city or municipality where the branch or sales outlet was located; (9) CBC had sixteen (16) branches or plants located in various cities and municipalities nationwide, including Bacolod, Calasiao, Calamba, Mandaue, Davao, Ilagan, San Nicolas, Pavia, Meycauayan, Villanueva, Naga, San Fernando, Sta. Rosa, Tacloban, Tagbilaran and Zamboanga, where it paid local taxes and regulatory fees; (10) CBC's principal office located at the 27th Floor, Net Lima Building, Bonifacio Global City, Taguig and only functioned as an administrative office where supervision, planning, budgeting, legal compliance, finance and human resource were managed; (11) CBC did not have any branch or sales outlet in Taguig City; (12) in January 2017, when CBC applied for the renewal of its business permit, it was billed with a LBT of ₱1,320,336.49 plus regulatory fees, totaling ₱1,339,807.49; (13) CBC paid the same under protest; (14) CBC filed a letter protest with the City Treasurer in Taguig

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39 Id., pp. 721-728.
40 Id., p. 731.
41 Id., pp. 755-759.
42 See Order dated 25 November 2022, id., p. 768.
43 Exhibit "C", id., Volume II, pp. 39-49.
44 Exhibit "D", id., pp. 50-60.

City in March 2017, seeking a refund or tax credit for the 1st quarter of 2017; **(15)** CBC is not a contractor, as defined by Ordinance No. 085, s. 2005,[45] which specifies that a contractor is someone who sells services for a fee; **(16)** CBC's sales of manufactured products, such as Sarsi, Sparkle, and Pop Cola, through its branches or sales outlets outside of Taguig City, do not qualify as a sale of services for a fee; **(17)** City Treasurer did not observe the Department of Finance (**DOF**) – Bureau of Local Government Finance (**BLGF**) Memorandum Circular No. 01-001-2017, which prescribed guidelines on the use of Presumptive Income Level Assessment Approach (**PILAA**); and **(18)** Taguig City's, its City Treasurer's and City BPLO's act of changing CBC's business activity from "manufacturer/administrative office" to "contractor or (Services - Admin Office" was a violation of its right to due process.[46]

In the *interim*, on 12 January 2023, the court *a quo* denied CBC's "Motion for Partial Reconsideration and its Supplemental Motion for Substitution and Amend Title of the Case" for lack of merit.[47]

During his cross-examination on 14 April 2023,[48] Lizaso clarified that: **(1)** although CBC ceased operations on 30 September 2017, it had not formally filed a business closure with the City BPLO, (though it had notified Taguig City that it was no longer operating); **(2)** while CBC no longer manufactures Sarsi, Sparkle and Pop Cola, these products remain in the market and are now produced by CCBPI, not CBC; **(3)** the gross sales figures reflected in CBC's 2017 renewal documents included sales declarations from various localities, including Calamba, Mandaue, Ilagan and San Fernando, which were reported as part of its overall gross sales submitted to Taguig; **(4)** with respect to Mandaue, there was a discrepancy between the amount stated in the Certification for Mandaue sales, or ₱317,783,332.09, and the higher figure reflected in the actual Mayor's Business Permit[49] or ₱424,480,926.53; **(5)** the variance arose because Mandaue did not follow the amount declared in its application for renewal and instead used a different basis; **(6)** despite this discrepancy, CBC did not make any misdeclaration; and **(7)** CBC did

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45 Exhibit "3", id., pp. 426-449; AN ORDINANCE AMENDING CERTAIN PROVISIONS OF THE MUNICIPAL ORDINANCE NO. 24 SERIES OF 1993 OTHERWISE KNOWN AS "THE REVENUE CODE OF TAGUIG " AND ADOPTING THE NEW RATES PRESCRIBED UNDER THIS ORDINANCE.

46 Exhibit "BB", Judicial Affidavit (JA) of Gil T. Lizaso, Jr. dated 30 October 2020, id., Volume II, pp. 282-302; Exhibit "EE", Supplemental JA of Gil T. Lizaso, Jr. dated 27 November 2020, id., Volume II, pp. 309-312.

47 Id., Volume III, pp. 223-226.

48 See Order dated 14 April 2023, id., p. 239.

49 Exhibit "N-2", id., Volume II, p. 155.

not attach official receipts, proof of payment of LBT, or related supporting documents to its protest filed with Taguig City.[50]

On redirect examination, Lizaso declared that: (1) the discrepancy arose because Mandaue did not adopt the lower gross sales amount declared by CBC for the current year; instead, it used the higher gross sales figures from the prior year as the basis for assessment; and (2) this was consistent with the practice of some local government units, which disregard a taxpayer's lower current-year declaration and instead rely on the higher gross sales declared in the preceding year, explaining that the 2015 sales figures were higher than those for 2016 and thus became the basis used by Mandaue.[51]

Upon re-cross examination, Lizaso revealed that: (1) the assessment made by Mandaue was not based on the Presumptive Income Level Assessment Approach (**PILAA**), as the application of PILAA would have required specific computations which, according to him, were not undertaken in this case; and (2) CBC had filed a case in Mandaue involving a claim for refund of LBT, which he alleged was won by CBC.[52]

Pursuant to the court *a quo*'s Order dated 14 April 2023,[53] CBC filed its "Formal Offer of Evidence (for [CBC])"[54] (**FOE**) on 25 April 2023. In due course, Taguig City, its City Treasurer and City BPLO filed a "Comment/Opposition to [FOE])"[55] on 17 May 2023.

On 13 June 2023, the court *a quo* issued an Order admitting all CBC's pieces of evidence.[56]

During Taguig City's, its City Treasurer's and City BPLO's presentation of evidence on 28 July 2023, they presented their sole witness, Gabriel Cultura (**Cultura**), Taguig City's Revenue Examiner (**Rev Ex**), who testified *via* his judicial affidavit.[57]

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50 RTC Records, TSN dated 14 April 2023, pp. 5-17.
51 Id., pp. 17-19.
52 Id., pp. 19-21.
53 Supra at note 48.
54 RTC Records, Volume III, pp. 240-269.
55 Id., pp. 274-288.
56 Id., p. 292.
57 See Order dated 28 July 2023, id., p. 294.

On the witness stand, Rev Ex Cultura testified that: (1) he is a revenue examiner of the City Treasurer and has been serving in that capacity since 2015; (2) as a revenue examiner, his duties included reviewing tax assessments issued by Taguig City, particularly those involving corporate taxpayers during business permit renewals, as well as evaluating protests, refund claims and applications for tax credit; (3) he was familiar with the present case because it involved CBC's claim for refund or tax credit of fees and taxes paid pursuant to Taguig City's assessment and billing statement for the 1st quarter of TY 2017; (4) the fees and taxes assessed against CBC for the 1st quarter of TY 2017 included LBT, *inter alia*, all reflected in the Billing Statement dated 09 January 2017; (5) based on Official Receipt No. A-3243903 dated 10 January 2017,[58] CBC paid the total amount of ₱1,339,807.49 corresponding to those assessed fees and taxes; (6) Taguig City's legal basis for imposing LBT was Section 75[59](e) of Ordinance No. 085, s. 2005[60] on *contractors*; (7) CBC was assessed as a *contractor* because, in his view, it was engaged in the sale of services by undertaking the production and distribution of non-alcoholic beverages, an activity he considered to fall within the definition of *contractor* under Ordinance No. 085, s. 2005, which includes juridical entities whose activities consist essentially of rendering services for a fee; (8) he rejected CBC's claim that *situs* of taxation did not apply on the ground that it maintained only an administrative office in Taguig City, explaining that because CBC's principal office was located in Taguig City, 30% of its sales were taxable there; and (9) he anchored this conclusion on Section 79[61] (b)(3)(i) of Ordinance No. 085, s. 2005, which provides that where the principal office is located in Taguig City and the factory or plant is elsewhere, 30% of the sales recorded in the principal office shall be taxable by Taguig City.[62]

On cross-examination, Rev Ex Cultura testified further that: (1) the Billing Statement dated 09 January 2017,[63] was issued by the City BPLO, not by the City Treasurer; (2) the same Billing Statement expressly bore the notations "ADMIN OFFICE ONLY" and "HEAD OFFICE"; (3) although he mentioned that CBC was engaged in the sale of services, the sale of soft drinks is in fact a sale of goods; (4) he attached

58 Id., Volume II, p. 205.
59 SEC. 75 – **Imposition of Tax**.
60 Supra at note 45.
61 SEC. 79 – **Situs of the Tax**.
62 Judicial Affidavit dated 29 April 2022, RTC Records, Volume II, pp. 453-456.
63 Exhibit "1", id., p. 204.

no documentary support to substantiate his claim that CBC was engaged in the sale of services; (5) neither the term "ADMIN OFFICE" nor "HEAD OFFICE" appears in Section 75[64](e) of Ordinance No. 085, s. 2005,[65] nor in the latter's definition and enumeration of businesses classified as contractors; (6) Taguig City requires the submission of an application form for business permit renewal, and CBC submitted such application for the 1st quarter of 2017, which included a portion indicating gross sales or receipts for prior and current periods; (7) despite his earlier statements, he could not determine whether CBC should properly be classified as a *manufacturer* rather than a *contractor*, as the classification was made by the City BPLO and not by his office; (8) he did not know whether the City Treasurer issued any notice of assessment against CBC for the year in question; and (9) he was not competent to testify on whether the City BPLO applied the PILAA in preparing the Billing Statement, as he neither prepared nor issued the same.[66]

In the course of his redirect examination, Rev Ex Cultura explained that: (1) the designation "HEAD OFFICE" or "ADMIN OFFICE" appearing in the Billing Statement referred to CBC's business classification for purposes of local taxation; (2) the Billing Statement was signed only by the City BPLO, although his office formed part of the team that reviewed the same; (3) in that capacity, he was able to review the tax rates reflected in the Billing Statement; (4) CBC was classified therein as a *contractor*, not as a *manufacturer*, because the Billing Statement described its activity as involving services, and Taguig City accordingly applied the tax rate corresponding to that classification; and (5) based on their computation, 30% of the taxable amount was attributed to the principal or head office, *i.e.*, within Taguig City's jurisdiction, while the remaining 70% was allocated to the factory.[67]

With no further questions or re-cross, the redirect examination was concluded.[68]

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64 Supra at note 59.
65 Supra at note 45.
66 RTC Records, TSN dated 22 September 2023, pp. 5-13.
67 Id., pp. 13-16.
68 Id., p. 16.

On 06 March 2024, Taguig City, its City Treasurer and City BPLO filed their FOE,[69] consisting of Exhibits "1" to "4," inclusive of sub-markings, which the court *a quo* all admitted in its Order dated 03 April 2024.[70] On 02 July 2024, the court *a quo* rendered the assailed Decision granting CBC's claim for refund and ordering Taguig City, its City Treasurer and City BPLO to refund CBC the amount of ₱1,320,336.49 representing the LBT CBC paid for the 1st quarter of TY 2017 with legal interest of 6% *per* annum, as follows:[71]

> ...
>
> **WHEREFORE**, premises considered, the Complaint for Claim for Refund or Tax Credit of Local Business Tax filed by [CBC], is **GRANTED** for being meritorious. Consequently, [City of Taguig, Atty. Voltaire L. Enriquez, in his capacity as OIC-City Treasurer - City of Taguig, and Atty. Fanella Joy Panga Cruz in her capacity as OIC of the Business Permit and Licensing Office (BPLO), Taguig City], is ordered to **REFUND or ISSUE** Tax Credit Certificate to [CBC] the total amount of One Million Three Hundred Twenty Thousand Three Hundred Thirty[-]Six and Forty[-]Nine Centavos (Php1,320,336.49), with legal interest of 6% per annum from the finality of this Decision until its full satisfaction; and the costs of suit.
>
> ...
>
> **SO ORDERED.**
>
> ...

The court *a quo* found that CBC had no recorded sales in its principal office in Taguig City and CBC had sufficiently proved that its gross sales originated from the sale of its beverage products by its branches or sales outlets outside Taguig City's taxing jurisdiction.

Taguig City, its City Treasurer and City BPLO filed their motion for reconsideration (**MR**) on 19 September 2024,[72] avowing that: (1) CBC was correctly taxed as a *contractor*, not as a *manufacturer*, since its Taguig office was engaged in the business of providing services for a fee; and (2) the award of 6% legal interest was contrary to law since the LBT did not constitute a debt or forbearance of money and the Local Government Code (**LGC**) of 1991, as amended does not authorize the imposition of legal interest in cases involving tax collection. In contrast,

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69 RTC Records, Volume III, pp. 300-303.
70 Id., p. 314.
71 Supra at note 2, pp. 22-23; Emphasis and italics in the original text.
72 RTC Records, Volume III, pp. 342-350.

CBC, in its Comment,[73] argued that: (1) it was a *manufacturer* engaged in beverage production through toll manufacturing; and (2) the 6% legal interest was proper and lawful.

After evaluating the parties' arguments, the court *a quo* **partially granted** Taguig City's, its City Treasurer's and City BPLO's MR. It reaffirmed that CBC qualifies as a *manufacturer*, as shown by CBC's Articles of Incorporation (**AOI**)[74] and CBC had sufficiently shown no sales or receipts can be attributed to its Taguig office. However, the court *a quo* deleted the legal interest. The dispositive portion reads:[75]

> ...
>
> **WHEREFORE**, premises considered, [Taguig City's, its City Treasurer's and City BPLO's] *Motion for Reconsideration (of the Honorable Court's Decision dated 02 July 2024)* is **PARTIALLY GRANTED**. Accordingly, the legal interest of 6% per annum imposed [on] the principal is deleted.
>
> **SO ORDERED.**
>
> ...

Dismayed by the deletion of the 6% legal interest, CBC filed a Motion for Partial Reconsideration[76] (**MPR**) on 27 November 2024, assailing only that portion of the first assailed Resolution. In the second assailed Resolution, however, the court *a quo* denied CBC's MPR. The Resolution disposed thus:[77]

> ...
>
> **WHEREFORE**, premises considered, [CBC's] *Motion for Partial Reconsideration (of the Resolution dated October 30, 2024)* is **DENIED** for lack of merit.
>
> **SO ORDERED.**
>
> ...

From the court *a quo*'s assailed Resolutions sprang the present petitions filed by both parties.

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[73] Id., pp. 354-364.
[74] Exhibit "B", id., Volume II, pp. 25-38.
[75] Supra at note 3, p. 62; Emphasis and italics in the original text.
[76] RTC Records, Volume III, pp. 383-393.
[77] Supra at note 4, p. 51; Emphasis and italics in the original text.

PROCEEDINGS BEFORE THE COURT

Taguig City, its City Treasurer and City BPLO filed a "Motion for Extension of Time to File Petition for Review"[78] on 19 December 2024. On 06 January 2025 or within the extended period granted, they filed their Petition for Review.[79] While CBC filed its Petition for Review[80] on 13 February 2025.

CTA AC CASE NO. 353

Taguig City, its City Treasurer and City BPLO, in their petition, contended that: (1) CBC should not be taxed as a *manufacturer* as it is engaged in the business of selling services for a fee, *i.e.*, production and distribution of non-alcoholic beverages; and (2) tax exemptions are strictly construed against taxpayers.

On 20 January 2025, the Court ordered: (1) CBC to file a comment within ten (10) days from notice; and (2) the Branch Clerk of Court of the court *a quo* to elevate the entire records of Civil Case No. 220.[81]

In compliance, Atty. Arvie Joy O. Arce-Marcelino (**Atty. Arce-Marcelino**), the court a *quo*'s Branch Clerk of Court, transmitted the complete records through a letter dated 31 January 2025,[82] consisting of three (3) folders with 480 pages. The Court received the same on 03 February 2025 and noted the transmittal on 10 February 2025.[83]

CBC complied on 27 January 2025, filing its "Comments and Opposition."[84] It countered that: (1) Taguig City, its City Treasurer and City BPLO failed to show that CBC had taxable sales or receipts within the taxing jurisdiction of Taguig City; (2) the instant petition before the Court is dismissible on the ground of lack of cause of action for being prematurely filed; and (3) the deletion of the 6% legal interest is void since the court *a quo* failed to provide the factual and legal bases of the

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78 Division Docket (CTA AC Case No. 353), pp. 5-8.
79 Supra at note 5.
80 Supra at note 6.
81 Division Docket (CTA AC Case No. 353), p. 67.
82 Id., p. 93.
83 See Notice dated 10 February 2025, id., p. 140.
84 Id., pp. 69-85.

deletion in violation of Article VIII,[85] Section 14[86] of the 1987 Constitution and Rule 36,[87] Section 1 of the Rules of Civil Procedure (**RCP**), as amended.

CTA AC CASE NO. 356

CBC, in its petition, asseverated that: (1) the deletion of the 6% legal interest is void since the court *a quo* failed to provide the factual and legal bases of the deletion in violation of Article VIII, Section 14 of the 1987 Constitution and Rule 36, Section 1 of the RCP, as amended; (2) the court *a quo* erred in deleting the 6% legal interest; and (3) the court *a quo* erred in finding that there was no indication of inexcusable or willful disregard of the legal provisions on the part of Taguig City, its City Treasurer and City BPLO in the collection of the 1st quarter LBT.

On 25 March 2025, the Court consolidated CTA AC Case Nos. 353 and 356, pursuant to Rule 31, Section 1 of the RCP, as amended and Rule IV, Section 3 of A.M. No. 05-11-07-CTA, otherwise known as the "Additional Amendments to the 2005 Revised Rules of the Court of Tax Appeals, as amended, and Internal Rules of the Court of Tax Appeals" and ordered Taguig City, its City Treasurer and City BPLO to file a comment within ten (10) days from notice.[88]

Taguig City, its City Treasurer and City BPLO complied on 15 April 2025, filing their "Comment (to Petition for Review dated 10 February 2025)."[89] They countered that: (1) the court *a quo* correctly deleted the 6% legal interest since the LGC of 1991, as amended, and the Civil Code do not provide for the same; (2) the collection of the LBT was not attended by arbitrariness; and (3) tax exemptions are strictly construed against the taxpayers.

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85 Judicial Department

86 SEC. 14. No decision shall be rendered by any court without expressing therein clearly and distinctly the facts and the law on which it is based.
No petition for review or motion for reconsideration of a decision of the court shall be refused due course or denied without stating the legal basis therefor.

87 Judgments, Final Orders and Entry Thereof.

88 Division Docket (CTA AC Case No. 356), pp. 57-58.

89 Division Docket (CTA AC Case No. 353), pp. 143-150.

Thereafter, on 06 May 2025, the Court submitted the consolidated cases for decision.[90]

ISSUES

Stripped to the essentials, the consolidated cases present for Our determination the following issues —

I.
WHETHER THE PETITION FILED BY TAGUIG CITY, ITS CITY TREASURER AND CITY BUSINESS PERMIT AND LICENSING OFFICE IS DISMISSIBLE FOR LACK OF CAUSE OF ACTION, HAVING BEEN PREMATURELY INSTITUTED BEFORE THE COURT;

II.
WHETHER THE COURT *A QUO* ERRED IN RULING THAT COSMOS BOTTLING CORPORATION HAD NO TAXABLE INCOME OR RECEIPTS WITHIN THE TAXING JURISDICTION OF TAGUIG CITY FOR THE FIRST QUARTER OF THE TAXABLE YEAR (TY) 2017;

III.
WHETHER THE COURT *A QUO* ERRED IN CLASSIFYING COSMOS BOTTLING CORPORATION AS A *MANUFACTURER*; AND

IV.
WHETHER THE COURT *A QUO* ERRED IN NOT AWARDING LEGAL INTEREST.[91]

ARGUMENTS

Taguig City, its City Treasurer and City BPLO argue that CBC was properly taxed as a *contractor*, not a *manufacturer*, because its business extends beyond manufacturing to the production and distribution of non-alcoholic beverages, which they characterize as the sale of services for a fee under Sections 74 and 75(e) of Ordinance No. 085, s. 2005.[92] They emphasize CBC's own admission that it no longer operates manufacturing plants and instead outsourced production to CCBPI under a toll manufacturing agreement, thereby placing it outside the

[90] See Notice dated 06 May 2025, id., p. 156.
[91] See IV. Statement of the Issue, Petition for Review, supra at note 5, p. 35; *cf.* V. Statement of the Issue, Petition for Review, supra at note 6, p. 11.
[92] Supra at note 45.

ordinance's definition of a manufacturer and within the ambit of a *contractor* rendering services. They further argue that, even assuming CBC should have been taxed as a *manufacturer*, the RTC still erred in ordering a full refund of the contractor's tax instead of directing a recomputation under the manufacturer's rate, since a full refund would effectively grant CBC an unwarranted tax exemption. In any event, they stress that tax exemptions, including claims for tax refund or credit, are construed *strictissimi juris* against the taxpayer, who bears the burden of proving by clear and unequivocal law its entitlement to exemption or refund, a burden CBC allegedly failed to discharge.

In contrast, CBC argues that the RTC gravely erred in deleting the previously awarded 6% legal interest in the first assailed Resolution because the deletion was made only in the dispositive portion, without any factual or legal basis in the body of the resolution, in violation of Article VIII, Section 14 of the 1987 Constitution and Rule 36, Section 1 of the RCP, as amended, rendering that portion void. CBC further contends that the RTC's removal of legal interest is irreconcilable with its express finding that Taguig City, its City Treasurer and City BPLO "arbitrarily imposed" LBT as a *contractor*, despite CBC being properly classifiable as a *manufacturer*. CBC maintains that Taguig City, its City Treasurer and City BPLO acted arbitrarily and illegally in taxing CBC as a *contractor* by disregarding its sworn declarations, certifications and branch sales records, and by instead resorting to the PILAA despite the absence of statutory basis and noncompliance with the governing BLGF guidelines. CBC thus insists that Taguig City's, its City Treasurer's and City BPLO's arbitrary and unlawful tax collection, coupled with the RTC's own findings, fully justifies the reinstatement of the 6% legal interest on the refunded amount.

RULING OF THE COURT

At the outset, the Court shall first ascertain whether the instant petitions were timely filed.

THE INSTANT PETITIONS WERE TIMELY FILED.

Section 7 of RA 1125,[93] as amended by RA 9282,[94] expressly vests this Court with exclusive appellate jurisdiction over decisions, orders, or resolutions of the RTCs in local tax cases originally decided or resolved by them in the exercise of their original jurisdiction. The law provides:

> ...
>
> **Sec. 7.** *Jurisdiction.* — The CTA shall exercise:
>
> a. Exclusive appellate jurisdiction to review by appeal, as herein provided:
>
> ...
>
> 3. **Decisions, orders, or resolutions of the Regional Trial Courts in <u>local tax cases</u>** originally decided or resolved by them in the exercise of their original or appellate jurisdiction[.][95]
>
> ...

The above provision is implemented by Section 3(a)(3), Rule 4 of the RRCTA, to wit:

> ...
>
> **SEC. 3.** *Cases within the jurisdiction of the Court in Division.* — The Court in Division shall exercise:
>
> (a) Exclusive original over or appellate jurisdiction to review by appeal the following:
>
> ...
>
> (3) **Decisions, resolutions or orders of the Regional Trial Courts in <u>local tax cases</u> decided or resolved by them in the exercise of their original jurisdiction.**[96]
>
> ...

In the present case, the records indicate that CBC received the assailed Resolution of the RTC denying its MPR on 23 January 2025.[97] Consequently, CBC had thirty (30) days from receipt, or until

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[93] AN ACT CREATING THE COURT OF TAX APPEALS.

[94] AN ACT EXPANDING THE JURISDICTION OF THE COURT OF TAX APPEALS (CTA), ELEVATING ITS RANK TO THE LEVEL OF A COLLEGIATE COURT WITH SPECIAL JURISDICTION AND ENLARGING ITS MEMBERSHIP, AMENDING FOR THE PURPOSE CERTAIN SECTIONS OR REPUBLIC ACT NO. 1125, AS AMENDED, OTHERWISE KNOWN AS THE LAW CREATING THE COURT OF TAX APPEALS, AND FOR OTHER PURPOSES.

[95] Italics in the original text, emphasis and underscoring supplied.

[96] Italics in the original text, emphasis and underscoring supplied.

[97] RTC Records, Volume III, p. 474.

22 February 2025, to file a Petition for Review before the CTA. CBC filed its petition on 13 February 2025,[98] well within the reglementary period.

On the other hand, the records show that Taguig City, its City Treasurer and City BPLO received the assailed Resolution of the RTC denying their MR on 21 November 2024.[99] They had 30 days from such receipt, or until 21 December 2024, to file a Petition for Review before the CTA. On 19 December 2024, they filed a "Motion for Extension of Time to File Petition for Review,"[100] which was well within the reglementary period. Subsequently, on 06 January 2025 or within the extended period granted, they filed their Petition for Review.[101] As such, the petition was timely filed.

CBC argues that Taguig City's, its City Treasurer's and City BPLO's petition was prematurely instituted, having been filed while CBC's MPR remained pending before the court *a quo*.

We are not persuaded.

In the case of *Iluminada C. Bernardo v. Ana Marie B. Soriano*,[102] the Supreme Court has squarely rejected the view that a judgment on the merits becomes "interlocutory" or non-appealable as to one party merely because the opposing party has a pending motion for reconsideration, to wit:

> ...
> In other words, following the line of thinking of the RTC and CA, in so far as Bernardo was concerned, the RTC's Decision dated August 5, 2010, notwithstanding the fact that it is a judgment on the merits, was to be treated as a mere interlocutory order not subject to appeal owing to the pendency of Soriano's Motion for Partial Reconsideration. Hence, despite already having her own Motion for Reconsideration denied by the RTC, Bernardo's right to appeal was made contingent and dependent on Soriano's Motion for Partial Reconsideration.
>
> The RTC and CA's positions are erroneous.

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98 Supra at note 6.
99 Petition for Review, supra at note 5, p. 33.
100 Supra at note 78.
101 Supra at note 5.
102 G.R. No. 200104, 19 June 2019; Citations omitted, italics, underscoring and emphasis in the original text and supplied.

> **With respect to Bernardo, the RTC's Decision did not cease to be an appealable judgment, transforming into a mere interlocutory order, for the sole reason that the opposing party, Soriano, filed her own Motion for Partial Reconsideration.** With Bernardo's own Motion for Reconsideration having been denied by the RTC, according to Rule 41 of the Rules of Court, Bernardo already had 15 days to file a Notice of Appeal regardless of Soriano filing her own Motion for reconsideration.
>
> The RTC and CA seem to have confused the right of a party to appeal and the right of another party to file a motion for reconsideration. There is nothing in the Rules which makes a party's right to appeal dependent or contingent on the opposing party's motion for reconsideration. Similarly, a party's undertaking to file a motion for reconsideration of a judgment is not hindered by the other party's filing of a notice of appeal. Jurisprudence holds that "each party has a different period within which to appeal" and that "[s]ince each party has a different period within which to appeal, the *timely* filing of a motion for reconsideration by one party does not interrupt the other or another party's period of appeal."
>
> **Hence, a party's ability to file his/her own appeal upon receipt of the assailed judgment or the denial of a motion for reconsideration challenging the said judgment within the reglementary period of 15 days is not affected by the other parties' exercise of discretion to file their respective motions for reconsideration.**
>
> Contrary to the holding of the CA, if the RTC granted due course to Bernardo's Notice of Appeal, the RTC would not have been divested of jurisdiction to decide Soriano's Motion for Partial Reconsideration and that Soriano's right to file her own Motion for Reconsideration would not have been defeated whatsoever. This is the case because under Section 9, Rule 41 of the Rules of Court, in appeals by notice of appeal, the court loses jurisdiction over the case *only* upon the expiration of the time to appeal of the other parties.
>
> Further, the CA's concern that allowing due course Bernardo's Notice of Appeal would have led to a multiplicity of appeals is unfounded, considering that the respective appeals of Bernardo and Soriano could have been consolidated by the appellate court.
>
> ...

Accordingly, the pendency of CBC's MPR alone does not warrant the dismissal of Taguig City's, its City Treasurer's and City BPLO's appellate recourse as "premature."

Perforce, the Court validly acquired jurisdiction over the consolidated cases, as both petitions were filed within their respective reglementary period. With the preliminary matters resolved, the Court now addresses the parties' arguments.

We proceed.

After a circumspect review of the records, the parties' submissions and the applicable laws and rules, the Court finds that CBC's petition **lacks merit**, while the petition of Taguig City, its City Treasurer and City BPLO is **partly meritorious**.

The fundamental issue in this appeal is whether CBC, whose principal office was situated in Taguig City but which operated multiple registered branches that reported sales within their respective jurisdictions, may be held liable for the payment of LBT under Ordinance No. 085, s. 2005.[103]

Resolution of this issue necessarily requires a purposive examination of the LGC of 1991, as amended.

Section 146 of the LGC of 1991, as amended, states:

> ...
>
> Sec. 146. *Payment of Business Taxes.* -
>
> (a) The taxes imposed under Section 143 **shall be payable for every separate or distinct establishment or place where business subject to the tax is conducted** and one line of business does not become exempt by being conducted with some other business for which such tax has been paid. The tax on a business must be paid by the person conducting the same.[104]
>
> ...

Simply stated, local government units only have the power to impose LBT on the privilege of doing business within their territorial jurisdictions.[105]

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[103] Supra at note 45.

[104] Emphasis supplied and italics in the original text.

[105] *City of Davao and Bella Linda N. Tanjili, in her official capacity as City Treasurer of Davao City, v. ARC Investors, Inc.*, G.R. No. 249668, 13 July 2022.

Before delving into the *situs* of taxation, the Court must first classify the nature of CBC's business operations.

COSMOS BOTTLING CORPORATION IS A MANUFACTURER, *NOT* A CONTRACTOR.

Taguig City, its City Treasurer and City BPLO aver that CBC should be taxed as a *contractor* because it allegedly did more than manufacture products and was likewise engaged in the sale of services for a fee.

The contention is unavailing.

Under Ordinance No. 085, s. 2005,[106] a contractor includes:

> ...
> [P]ersons, natural or juridical, not subject to professional tax whose activity consists **<u>essentially of the sale of all kinds of services for a fee</u>** regardless of whether or not the performance of the service calls for the exercise or use of the physical or mental faculties of such contractor or his employees.
>
> As used in this Article, the term contractor shall include general engineering, general building and specialty contractors as defined under applicable laws, filling, demolition and salvage works contractors, proprietors or operators of mine drilling apparatus, proprietors or operators of computer services/rental, proprietors or operators or dockyards, persons engaged in the installation of water system, and gas or electric light, heat, or power, proprietors or operators of smelting plants; engraving, plating, and plastic lamination establishments; proprietors or operators of establishments for repairing, repainting, upholstering, washing or greasing of vehicles, heavy equipment, vulcanizing, recapping and battery charging; proprietors or operators of furniture shops and establishments for planting or surfacing and recutting of lumber, sawmills under contract to saw or cuts logs belonging to others; proprietors or operators of dry-cleaning or dyeing establishments, steam laundries, and laundries using washing machines proprietors or owners of shops for the repair of any kind of mechanical and electrical devices, instrument, apparatus, or furniture and shoe repairing by machine or any mechanical contrivance, proprietors of tailor shops,

106 Supra at note 45.

> dress shops, milliners and hatters, beauty parlors, barbershops, massage clinics, sauna Turkish and Swedish baths, slenderizing and building saloons and similar establishments: photographic studios: funeral parlors: proprietors or operators of arrastre and stevedoring. warehousing or forwarding establishments, master plumbers, smiths, house or sign painters; printers, bookbinders lithographers, publishers except those engaged in the publication or printing of any newspaper, magazine, review or bulletin which appears at regular intervals with fixed prices for subscription and sale and which is not devoted principally to publication of advertisements; business agents, private detective watchman agencies, commercial and immigration brokers, and cinematographic film owners, lessors and distributors.[107]
>
> ...

By contrast, a manufacturer includes:

> ...
>
> **[E]very person who, for the purpose of sale or distribution to others and not for his own use or consumption, by physical or chemical process**, (1) alters the exterior texture of form, or inner substance of any raw material or manufactured or partially manufactured product in such manner as to prepare it for a special use or uses to which it could not have been put in its original condition; (2) alters the quality of any such raw material or manufactured or partially manufactured product so as to reduce it to marketable shape or prepare it for any use of industry; or (3) combines any raw material or manufactured or partially manufactured product with other materials or products of the same or different kind in such manner that the finished product of such process or manufacture can be put to a special use or uses to which such material, or manufactured or partially manufactured product in its original condition could not have been put.[108]
>
> ...

Here, CBC's AOI[109] unequivocally declare its primary purpose as "to **manufacture**, buy, sell, improve, treat, preserve, refine, aerate, mineralize, bottle and otherwise deal in mineral and aerated water and other liquids . . . to carry on business as **manufacturer**."

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107 Emphasis and underscoring supplied.

108 Supra at note 106; Emphasis supplied.

109 Supra at note 74.

Further, for LBT purposes, the taxable base is the gross sales or receipts of the preceding calendar year.[110] More telling is that for the year relevant to the 2017 LBT, CBC's AFS[111] for 2015 and 2016 indicate, among others, that: (1) CBC was primarily engaged in the production and distribution of non-alcoholic beverages;[112] (2) its net sales were generated from its Toll Manufacturing and Distributorship Agreements;[113] (3) fees paid under the Toll Manufacturing Agreement[114] were treated as cost of sales;[115] and (4) the Distributorship Agreement[116] involved the purchase of finished goods (under the Toll Manufacturing Agreement) by CCBPI from CBC.[117]

Viewed in their totality, these *indicia* decisively negate Taguig City's attempt to shoehorn CBC into the legal category of *contractors*. CBC was — at least during the relevant period — engaged in the manufacture and sale of goods, not in the business of selling services for a fee.

That CBC was a manufacturer does not, however, end the inquiry.

The imposition of LBT is premised on the conduct of business or commercial activity within the taxing jurisdiction.[118] The *situs* of taxation for LBT is determined by where the business is actually conducted, not merely where an office is located.[119]

The next pivotal query is whether CBC has established, by preponderant evidence, that none of its taxable sales for TY 2016 were attributable to Taguig City?

COSMOS BOTTLING CORPORATION
FAILED TO PROVE THAT NO SALES
ARE ATTRIBUTABLE TO TAGUIG CITY.

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110 LGC of 1991, as amended, Section 143.
111 Exhibit "E", RTC Records, Volume II, pp. 61-111
112 Note 1, id., p. 72.
113 Note 14, id., p. 93.
114 Exhibit "C", supra at note 43.
115 Note 16, supra at note 111, pp. 97-98.
116 Exhibit "D", supra at note 44.
117 Supra at note 115.
118 See *City of Davao, et al. v. ARC Investors, Inc.*, G.R. No. 249668, 13 July 2022.
119 Id.

Section 150 of the LGC of 1991, as amended, states that:

> ...
> 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 is 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.**
>
> (b) The following sales allocation shall apply to manufacturers, assemblers, contractors, producers, and exporters with factories, project offices, plants, and plantations in the pursuit of their business:
>
> (1) Thirty percent (30%) of all sales ***recorded*** in the principal office shall be taxable by the city or municipality where the principal office is located; and
>
> (2) Seventy percent (70%) of all sales ***recorded*** in the principal office shall be taxable by the city or municipality where the factory, project office, plant, or plantation is located.[120]
>
> ...

As can be gleaned from the foregoing, sales must be recorded in the branch or sales outlet that makes the sale and the tax accrues to that LGU. **If there is no branch or sales outlet in the locality where the sale is made, the sale must be recorded in the principal office and the tax accrues to the LGU where the principal office is located.**

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120 Emphasis, italics and underscoring supplied.

In the case of *The City of Makati v. The Municipality of Bakun and Luzon Hydro Corporation*[121] (**City of Makati**), the Supreme Court stressed that LBT is a tax "**expressly imposed on gross sales recorded.**"

Hence, CBC cannot prevail by broad protestations alone. It must competently demonstrate, by preponderant evidence, that all its sales were **properly recorded in its branches outside Taguig City**.

CBC sought to meet this burden by proffering as evidence the Certification[122] showing the gross sales/revenue for every branch of CBC for TY 2016. While facially reconciling with CBC's total audited net sales of ₱2,257,551,782.60, a scrupulous review, however, reveals an unaccounted amount of ₱457,824.63.

CBC offered no competent proof explaining where — or in which branch — this amount was recorded.

LGC of 1991, as amended, itself, supplies the answer.

Under Section 150(a) of the LGC of 1991, as amended, sales not shown to have been recorded in a branch are, by default, deemed recorded in the principal office. CBC's principal office was located in Taguig City. Consequently, the unaccounted ₱457,824.63 is taxable by Taguig City. Applying the applicable LBT rate, the tax due thereon is ₱5,775.00,[123] or ₱1,443.75 *per* quarter, which must be deducted from the refundable amount previously computed by the court *a quo*. Thus, the correct refundable amount is **₱1,318,892.74.**

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[121] G.R. No. 225226, 07 July 2020.

[122] Exhibit "F", supra at note 18.

[123] SECTION 75. *Imposition of Tax.* — There is hereby levied an annual tax on the following businesses at rates prescribed therefore:
a) On **manufacturers**, producers...
...

Gross Sales/Receipts for the Preceding Calendar Year	Amount of Tax *Per* Annum
...	
300,000.00 or more but less than 500,000.00	5,775.00

30-70 SALES ALLOCATION UNDER SECTION 150 OF THE LOCAL GOVERNMENT CODE, AS AMENDED, IS NOT APPLICABLE TO THE ACCOUNTED SALES.

Taguig City, its City Treasurer and City BPLO further insist that CBC's entire net sales of ₱2,257,551,782.60 be subjected to the 30-70 sales allocation.

The argument collapses under its own weight.

Section 150[124] of the LGC of 1991, as amended, is plain as a pikestaff. The allocation mechanism becomes relevant only when the taxpayer has no branch or sales outlet in the LGU where sales are made and the sales are recorded at the principal office, paired with the presence of a factory, project office, plant, or plantation. Here, CBC's sworn certification shows that for every LGU where sales or receipts occurred (as shown in the Certification), CBC maintained a registered branch and recorded the sales there:

***Per* Certification**[125]	**Issued Mayor's Permit, billing statement and/or payment details for TY 2017 LBT *per* branch (Exhibit No.)**
San Fernando	N-9
Naga	N-8
Calasiao	N
Ilagan	N-4
San Nicolas (Ilocos)	N-5
Sta. Rosa	N-11
Meycauayan	N-6
Calamba (Canlubang)	N-1
Bacolod	O-14
Mandaue (Cebu)	N-2
Pavia (Iloilo)	P-16
Tacloban	N-14
Tagbilaran	N-12
Villanueva (Misamis)	N-7
Davao	N-3
Zamboanga	N-13

124 **Sec. 150**. *Situs of the Tax*.
125 Supra at note 18.

In the case of *City of Makati*, the Supreme Court categorically held that the rules on tax allocation in relation to tax *situs* under Section 150 of LGC of 1991, as amended, come into play when a business subject to it does not operate a branch or sales office outside of its principal office where all sales are recorded, but has a factory, project office, plant, or plantation situated in different localities, whether or not sales are made in these localities. That is not the case here. CBC has branches outside the principal office where sales were recorded. **Accordingly, under Section 150 (a) of the LGC, as amended, the LBT therefore accrues to each branch LGU, and the 30-70 allocation in Section 150(b)-(e) of the LGC, as amended, does not come into play.**

CBC IS NOT ENTITLED TO LEGAL INTEREST.

CBC contends that, in addition to the amount it paid under protest, it is entitled to legal interest on the refund, arguing that the collection was attended with arbitrariness, invoking *Atlas Fertilizer Corporation v. Commissioner of Internal Revenue, et al.*[126] (**Atlas**).

We disagree.

In *Atlas*, the Supreme Court clarified the circumstances under which legal interest may be awarded on tax refunds. The Court held:

> ...
> But the more important consideration is the well settled rule that in the absence of a statutory provision clearly or expressly directing or authorizing payment of interest on the amount to be refunded to taxpayer, the Government cannot be required to pay interest. **Likewise, it is the rule that interest may be awarded only when the collection of tax sought to be refunded was attended with arbitrariness. Such circumstance is not present in the case at bar as the payment of compensating taxes in question was made freely and voluntarily and conformably with the partial exemption granted by Republic Act No. 901.**[127]
> ...

[126] G.R. Nos. L-26686 & L-26698, 30 October 1980.
[127] Supra at note 126; Citation omitted and emphasis supplied.

It must be emphasized that the award of interest on tax refunds, *albeit* pertaining to national taxes, is the exception, not the rule, and is strictly limited to instances where the law expressly authorizes it or where the tax collection was arbitrary.[128]

Similarly, in the present case, there is no provision in the LGC of 1991, as amended, nor in its implementing rules and regulations, that authorizes the payment of interest on tax refunds under Section 196[129] of the LGC of 1991, as amended.

The Supreme Court has reiterated in *Hon. Lourdes R. Jose, in her capacity as City Treasurer of City of Caloocan v. Tigerway Facilities and Resources, Inc.*,[130] also involving Section 196 of the LGC of 1991, as amended, that:

> ...
> [I]nterest on tax refunds is only permissible when authorized by law or in instances where the tax collection was attended by arbitrariness. "Arbitrariness presupposes **inexcusable or obstinate disregard of legal provisions.**" These conditions are notably absent in the present case.
> ...

CBC's payment of the LBT was made in compliance with Section 196 of the LGC of 1991, as amended, and was not the result of any inexcusable or obstinate disregard of law by Taguig City, its City Treasurer and City BPLO. The records do not show any element of arbitrariness in the collection. As in *Atlas*, the payment was made freely and voluntarily, and the subsequent claim for refund was processed in accordance with the law.

WHEREFORE, premises considered, the Petition for Review filed by Cosmos Bottling Corporation on 13 February 2025 is hereby **DENIED** for lack of merit.

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128 See *Banco De Oro, et. al. v. Republic of the Philippines, et. al.*, G.R. No. 198756 (Resolution), 16 August 2016; see *Philex Mining Corporation v. Commissioner of Internal Revenue, and the Court of Appeals*, G.R. No. 120324, 21 April 1999.

129 **Sec. 196**. *Claim for Refund of Tax Credit.*

130 G.R. No. 247331, 26 February 2024; Citations omitted and emphasis supplied.

On the other hand, the Petition for Review filed by the City of Taguig, Atty. Voltaire L. Enriquez, in his capacity as OIC-City Treasurer-City of Taguig and Atty. Fanella Joy Panga Cruz in her capacity as OIC of the Business Permits and Licensing Office-City of Taguig on 06 January 2025 is hereby **PARTIALLY GRANTED**. Accordingly, the assailed Decision dated 02 July 2024 and assailed Resolutions dated 30 October 2024 and 09 January 2025 of the Regional Trial Court (RTC) of Taguig City, Branch 70, in Civil Case No. 220, are **MODIFIED** as follows:

a. The City of Taguig, Atty. Voltaire L. Enriquez, in his capacity as OIC-City Treasurer-City of Taguig and Atty. Fanella Joy Panga Cruz in her capacity as OIC of the Business Permits and Licensing Office-City of Taguig, are hereby **ORDERED** to **REFUND** or **ISSUE TAX CREDIT** in favor of Cosmos Bottling Corporation in the reduced amount of **₱1,318,892.74**, representing erroneously paid local business tax (LBT) for the first quarter of taxable year (TY) 2017.

SO ORDERED.

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

I CONCUR:

LANEE S. CUI-DAVID
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision were reached in consultation before the cases were assigned to the writer of the opinion of the Court's Division.

JEAN MARIE A. BACORRO-VILLENA
Associate Justice
Special 1st Division Acting Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Special 1st Division Acting Chairperson's Attestation, it is hereby certified that the conclusions in the above Decision were reached in consultation before the cases were assigned to the writer of the opinion of the Court's Division.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice