REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL SECOND DIVISION

ROYAL CARGO, INC., *Petitioner,*	**CTA AC CASE NO. 337** (Civil Case No. 2021-010)
	Members:
- versus -	**RINGPIS-LIBAN**, *PJ, Chairperson,* **MODESTO-SAN PEDRO**, *and* **FERRER-FLORES**, *JJ.*
CITY TREASURER OF PARAÑAQUE CITY, *Respondent.*	Promulgated: FEB 18 2026 4:. p.m.

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DECISION

***MODESTO-SAN PEDRO, J.*:**

The Case

This *Petition for Review* seeks to reverse and set aside the Order, dated July 19, 2024 ("Assailed Order"), rendered by the Regional Trial Court of Parañaque City, Branch 257 ("the RTC" or "the *court a quo*"), in Civil Case No. 2021-010, which dismissed petitioner's complaint for the refund of the excess payment of local business taxes ("LBT") for the calendar year ("CY") 2019.

The Parties

Petitioner Royal Cargo, Inc. is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, primarily engaged in freight forwarding, transporting, conveying, and carrying of goods, wares merchandise, products, and all kinds of cargoes or freights of any size, weight, and dimension by land, sea, and air to any point or place of destination outside the Philippines, with principal office address at

Royal Cargo, No. 4 Sta. Agueda Avenue, Pascor Drive, Brgy. Sto Niño, Parañaque City.[1]

Respondent City Treasurer of Parañaque City is an official of the Local Government Unit ("LGU") of Parañaque City and is vested with authority to collect all local taxes, fees, and charges due to the City Government of Parañaque. He holds office at the Parañaque City Hall, Hernandez Avenue, San Antonio Valley 1, Parañaque City.[2]

The Facts

In January 2019, petitioner applied for the renewal of its business permit for CY 2019 and was issued by respondent Statement of Account ("SOA") BIN 2004019139, dated January 18, 2019, ordering the payment of LBT amounting to ₱20,004,333.20. Petitioner paid said LBT in four quarterly installments, as follows:[3]

Period (CY 2019)	Installment Amount	Date of Payment	OR Number
1st Quarter	₱ 5,001,083.30	January 19, 2019	1746379
2nd Quarter	5,001,083.30	April 16, 2019	1877741
3rd Quarter	5,001,083.30	July 19, 2019	1984611
4th Quarter	5,001,083.30	October 17, 2019	2092320
TOTAL	**₱20,004,333.20**		

On January 15, 2021, petitioner filed with respondent a written claim for refund of the alleged excessive and erroneously collected LBT for CY 2019, in accordance with *Section 196 of the Local Government Code ("LGC")*.[4]

Without waiting for respondent's action on the written claim for refund and alleging that time is of the essence in local tax refund cases, petitioner filed a judicial claim for refund before the RTC on January 18, 2021, through a Complaint for Sum of Money ("Complaint").[5]

On July 19, 2024, the RTC promulgated the Assailed Order,[6] dismissing petitioner's Complaint on the basis of respondent's affirmative defense raised in his Answer, to wit:

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[1] Par. 6, Petition for Review, Docket, p. 6.
[2] Par. 7, *id.*
[3] Pars. 8 to 10, *id.* at 7.
[4] Par. 14, *id.* at 8.
[5] Par. 15, *id.*
[6] *Id.* at 23 to 29.

> **WHEREFORE**, premises considered, the affirmative defense is **GRANTED**.
>
> The instant Complaint is hereby **DISMISSED** for [lack of] jurisdiction and that the claim has already prescribed.
>
> Considering the dismissal of the instant case, the pre-trial scheduled on August 2, 2024, will not anymore push through.
>
> **SO ORDERED**.

On September 4, 2024, petitioner filed the instant Petition for Review,[7] to which respondent filed his Comment on January 8, 2025.[8]

On January 16, 2025, the RTC transmitted to this Court the records of Civil Case No. 2021-010, consisting of 694 pages.[9]

Respondent filed his Memorandum on March 4, 2025,[10] while petitioner's Memorandum was submitted on March 6, 2025.[11] Thus, in a Minute Resolution dated March 11, 2025, the case was deemed submitted for decision.

Hence, this Decision.

The Issues

Petitioner raised the following issues for the Court's resolution:[12]

> I.
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> WHETHER THE SOA DATED JANUARY 18, 2021 THAT WAS ISSUED BY BPLO[13] OF THE CITY GOVERNMENT OF PARAÑAQUE IS THE NOTICE OF ASSESSMENT IN CONTEMPLATION OF SEC. 195 OF THE LGC.
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> II.
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> WHICH BETWEEN [SECTION] 195 AND SECTION 196 OF THE LGC APPLIES IN THIS CASE.

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[7] *Id.* at 5 to 21.
[8] *Id.* at 42 to 53.
[9] *Id.* at 57 to 59.
[10] *Id.* at 62 to 77.
[11] *Id.* at 81 to 95.
[12] Issues, Petition for Review, *id.* at 9.
[13] Business Permits and Licensing Office.

III.

WHETHER THE COMPLAINT FOR REFUND HAS ALREADY BEEN BARRED BY PRESCRIPTION.

Arguments of the Parties

Petitioner's Arguments:

Petitioner argues that its claims for refund were timely filed in accordance with *Section 196 of the LGC* and should not have been dismissed by the RTC. Further, it alleges that the SOA is not a notice of assessment for *Section 195 of the same Code* to apply.

Respondent's Counter-arguments:

Respondent counter-argues that the Complaint was correctly dismissed by the RTC as it was filed beyond the prescriptive period. Anchored on its assertion that the SOA is a notice of assessment, he insists that the periods prescribed under *Section 195 of the LGC* should apply and not those under *Section 196* of the same Code.

The Ruling of the Court

The *Petition* must be granted.

Petitioner availed of the proper remedy under Section 196 of the LGC and the administrative and judicial claims for refund were timely filed; hence, the court a quo has jurisdiction therein.

With respect to the matter of timeliness of filing the claims, petitioner filed a written claim before respondent and a Complaint before the RTC for the refund of the LBT excessively or erroneously collected by the latter for the CY 2019 pursuant to *Section 196 of the LGC*, which provides as follows:

> Section 196. *Claim for Refund of Tax Credit.* — No case or proceeding shall be maintained in any court for the recovery of any tax, fee, or charge erroneously or illegally collected *until a written claim for refund or credit has been filed with the local treasurer*. No case or proceeding shall be entertained in any court *after the expiration of two (2) years from the*

> *date of the payment of such tax, fee, or charge*, or from the date the taxpayer is entitled to a refund or credit.
> (Italics supplied.)

From petitioner's point of view, the LBT it paid in four installments in 2019 were excessively collected. Petitioner thus filed an administrative claim for refund before respondent on January 15, 2021 and, later, a judicial claim before the RTC on January 18, 2021, when the administrative claim was not acted upon by petitioner.

Since the administrative claim, followed by the judicial claim, for refund were made within the two-year prescriptive period to file the same pursuant to *Section 196 of the LGC*, the earliest option of which ended on January 19, 2021, petitioner's claim for refund were timely filed.

On the other hand, respondent considers the case as a protest against an assessment under *Section 195 of the LGC*, which provides:

> Section 195. *Protest of the Assessment.* — When the local treasurer or his duly authorized representative finds that correct taxes, fees, or charges have not been paid, he shall issue a notice of assessment stating the nature of the tax, fee, or charge, the amount of deficiency, the surcharges, interests and penalties. *Within sixty (60) days from the receipt of the notice of assessment, the taxpayer may file a written protest* with the local treasurer contesting the assessment; *otherwise, the assessment shall become final and executory*. The local treasurer shall decide the protest within sixty (60) days from the time of its filing. If the local treasurer finds the protest to be wholly or partly meritorious, he shall issue a notice cancelling wholly or partially the assessment. However, if the local treasurer finds the assessment to be wholly or partly correct, he shall deny the protest wholly or partly with notice to the taxpayer. The taxpayer shall have thirty (30) days from the receipt of the denial of the protest or from the lapse of the sixty (60)-day period prescribed herein within which to appeal with the court of competent jurisdiction otherwise the assessment becomes conclusive and unappealable.
> (Italics supplied.)

From respondent's point of view, the SOA for CY 2019 is a notice of assessment; hence, petitioner should have protested it within 60 days from notice, following *Section 195 of the LGC*. Since petitioner belatedly protested the assessments on January 15, 2021, respondent asserts that the assessment for CY 2019 was already final and executory, thereby unappealable. The RTC consequently can no longer acquire jurisdiction over the same. Respondent raised these arguments as an affirmative defense in his Answer to petitioner's Complaint, to which the RTC agreed, resulting to the dismissal of the Complaint for lack of jurisdiction.

There is no dispute as to the dates when the written claim for refund was filed before respondent and the judicial claim was filed before the RTC.

What is essentially disputed herein is whether the claim was filed within the proper period and which period should apply, with the parties asserting different answers, as discussed above.

Petitioner is correct, while respondent and the RTC are mistaken. The issue herein is no longer novel and has long been settled.

In *City of Manila and Office of the City Treasurer of Manila vs. Cosmos Bottling Corporation*,[14] the Supreme Court clarified that the application of *Section 195* is triggered by an assessment made by the local treasurer or his duly authorized representative for nonpayment of the correct taxes, fees, or charges.

Consistent with the above, *International Container Terminal Services, Inc. vs. City of Manila*,[15] pronounced that *Section 195* explicitly states that it is a remedy against a notice of assessment issued by the local treasurer, *upon a finding that the correct taxes, fees, or charges have not been paid.* The notice of assessment must state "the nature of the tax, fee, or charge, the *amount of deficiency*, the surcharges, interests and penalties."

A perusal of the SOA BIN 2004019139 dated January 18, 2019, as attached to petitioner's Complaint before the RTC,[16] and undisputed by respondent, failed to qualify as a notice of assessment in order for *Section 195 of the LGC* to apply in this case. Accordingly, the SOA was issued not as an assessment for any *deficiency* LBT, but merely pursuant to Parañaque City LGU's power to impose and collect business taxes, in accordance with *Section 151*,[17] in relation to *Sections 143*[18] *and 167*,[19] *of the LGC.*

Since no notice of assessment was issued in this case, the payment of the LBT for CY 2019, which was allegedly collected excessively and was thus erroneous to such extent, falls within the coverage of the remedy provided under *Section 196 of the LGC.*

We find error in the RTC's appreciation of the allegations of petitioner in its Complaint that it essentially assails the assessment in the guise of a refund claim. As quoted in the Assailed Order:

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[14] G.R. No. 196681, June 27, 2018.

[15] G.R. No. 185622, October 17, 2018.

[16] RTC Records, p. 48.

[17] SECTION 151. *Scope of Taxing Powers.* – Except as otherwise provided in this Code, *the city, may levy the taxes, fees, and charges which the province or municipality may impose*: Provided, however, That the taxes, fees and charges levied and collected by highly urbanized and independent component cities shall accrue to them and distributed in accordance with the provisions of this Code. (Italics, Ours.)

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

. . . .

[19] SECTION 167. *Time of Payment.* – Unless otherwise provided in this Code, *all local taxes*, fees, and charges *shall be paid within the first twenty (20) days of January or of each subsequent quarter*, as the case may be. . . . (Italics, Ours.)

> A simple perusal of the Complaint will show that the action is not just for the refund of its paid taxes but is also for assailing the assessment issued by defendant. The allegations in the Complaint will also show plaintiff's argument that it was erroneously assessed:
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>> 20. The difference between the gross sales/receipts used by the BPLO and the gross sales/receipts per AFS, as well as the inclusion of exempt revenues in the imposition of LBT resulted in an excessive assessment of the LBT by defendant in the total amount of ₱14,159,168.00.
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>> 21. The Plaintiff was erroneously assessed by defendant to pay an excess LBT amounting to ₱14,159,168.00.
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> Although the Complaint was facially a sum of money claim, the allegations in the Complaint also point to another issue: the plaintiff bases its judicial claim for refund on the "erroneously/illegally collected" LBT. In other words, it boils down to the assessment issued by defendant.

The RTC mistook petitioner's allegations in its Complaint as a protest against respondent's computation of its LBT due for CY 2019, when, in essence, petitioner only raises its factual and legal bases in arguing that the LBT was excessively computed and, consequently, erroneously collected by respondent, and that said LBT must thus be refunded.

The purpose of a notice of assessment under *Section 195 of the LGC* is to inform the taxpayer of any *deficiency* taxes, which a taxpayer may either pay or protest. However, in this case, there was no deficiency tax. There was, instead, an allegation of *excessively* imposed and collected taxes. When a taxpayer alleges that the local taxes imposed and collected is excessive (*i.e.* more than the amount that the LGU is authorized by law to impose and collect), which would render it erroneous, the taxpayer's remedy is to claim for a refund under *Section 196 of the LGC*.

Petitioner availed of the proper remedy under *Section 196 of the LGC* and timely filed its written claim for refund before respondent and its judicial claim before the RTC. The RTC properly acquired jurisdiction in petitioner's claim and should have proceeded with its trial and determination of its merits.

ACCORDINGLY, the instant *Petition for Review* is **GRANTED**. The Assailed Order, dated July 19, 2024, is hereby **REVERSED** and **SET ASIDE**. Let this case be **REMANDED** to the *court a quo* for continuation of the proceedings, reception of evidence, and determination of the amount of LBT for CY 2019 refundable, if any, to petitioner.

SO ORDERED.

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

WE CONCUR:

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

CORAZON G. FERRER-FLORES
Associate Justice

C E R T I F I C A T I O N

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