REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

1FIRS DIVISION

CTA AC NO. 346

ATTY. VOLTAIRE ENRIQUEZ in his capacity as the CITY TREASURER OF TAGUIG CITY,
Petitioner,

- versus -

LA LUMIERE HOLDINGS, INC.,
Respondent.

NOTICE OF DECISION

To:

ATTY. FATIMA A. ALCONCEL-RELENTE
ATTY. WARRREN D. SAN JOSE
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BRANCH CLERK OF COURT
Regional Trial Court
Branch 153 - Taguig City
Taguig City Hall of Justice
Taguig City

GREETINGS:

You are hereby notified by these presents that on **December 16, 2025,** a Decision was rendered in the above-entitled case, copy of which is attached hereto.

Quezon City, Philippines, **December 17, 2025.**

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

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

FIRST DIVISION

ATTY. VOLTAIRE ENRIQUEZ IN HIS CAPACITY AS THE CITY TREASURER OF TAGUIG CITY, Petitioner,	**CTA AC NO. 346**
	Members:
	BACORRO-VILLENA, *Acting Chairperson and* **CUI-DAVID,** *JJ.*
- versus -	
LA LUMIERE HOLDINGS, INC., Respondent.	Promulgated: DEC 16 2025; 3:50PM

x - x

DECISION

BACORRO-VILLENA, J.:

At bar is a Petition for Review[1] filed by petitioner Atty. Voltaire L. Enriquez, in his capacity as the City Treasurer of Taguig City (**petitioner/City Treasurer of Taguig**) pursuant to Section 3(a)(3)[2], Rule 4 of the Revised Rules of the Court of Tax Appeals (**RRCTA**). It seeks the reversal and setting aside of the Decision dated 26 July 2024[3] (**assailed Decision**) and the Order dated 06 September 2024[4] (**assailed Order**), both rendered by the Regional Trial Court (**RTC**) of the City of Taguig, Branch 153 (**court *a quo***), in Civil Case No. 668,

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1 Filed on 04 November 2024, Division Docket, pp. 29-59.

2 **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[.]

3 Penned by Presiding Judge Mariam G. Bien, Division Docket, pp. 61-74.

4 Id., pp. 75-76.

entitled *La Lumiere Holdings, Inc. v. Atty. Voltaire Enriquez in his capacity as the City Treasurer of Taguig City.*

The assailed Decision[5] granted respondent La Lumiere Holdings, Inc.'s (**respondent**'s/**La Lumiere**'s), as then plaintiff, claim for a tax refund in the total amount of ₱653,099.81, representing the allegedly erroneously paid local business tax (**LBT**) which petitioner City Treasurer of Taguig, then defendant, imposed on the former's dividend income for the calendar years (**CYs**) 2017 and 2018. Meanwhile, the assailed Order[6] denied petitioner's Motion for Reconsideration[7] (**MR**) thereon.

PARTIES OF THE CASE

Petitioner is the City Treasurer of Taguig, represented by the undersigned City Legal Office of Taguig City with office address at 4th Floor, Taguig City Hall, Gen. Luna Street, Tuktukan, Taguig City where notices and processes of this Court may be served.[8]

Respondent, on the other hand, is a corporation duly organized and existing under the laws of Philippines, with principal office located at DMCI Complex, Levi B. Mariano Ave., Brgy. Ususan, Taguig City.[9] Its primary purpose is to own hold, operate, improve, develop, manage, grant, lease, sell, exchange or otherwise acquire the stocks, bonds, and other securities or evidence of indebtedness of any other corporation, association, firm or entity, domestic or foreign, and to issue in exchange therefor its own stocks, bonds, or other obligations or to pay therefor in cash, or otherwise.[10] It may be served with notices, orders and other court processes through its counsel of record, Buenaventura S.G. Sanguyo III (**Atty. Sanguyo**), with office address at

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5 Supra at note 3.
6 Supra at note 4.
7 RTC Records, pp. 535-551.
8 See Paragraph 9, Parties, Petition for Review, supra at note 1, p. 31.
9 See third par., Amended Articles of Incorporation of La Lumiere Holdings, Inc., RTC Records, p. 191.
10 See second par., id., p. 190.

2nd Floor, Metrobank Building, Mac Arthur Highway, Malinta, Valenzuela City.[11]

FACTS OF THE CASE

While in the process of renewing its business permit for CY 2018, respondent received a Billing Statement dated 18 January 2018[12] assessing it for LBT on the dividend income (earned in CY 2017) in the amount of ₱139,064.34. On 20 January 2018, respondent paid the said amount, including the other charges as evidenced by Official Receipt (**OR**) No. A-3791789.[13] For CY 2019, respondent again received a Billing Statement dated 17 January 2019[14] imposing a similar LBT on its dividend income (earned in CY 2018) for ₱514,035.47. On 19 January 2019, respondent again paid the same, including the other charges as evidenced by OR No. A-4258326.[15]

On 25 September 2019[16], respondent filed with the Office of petitioner City of Treasurer of Taguig a written claim for refund (dated 18 September 2019).[17] There, it contended that the LBT's imposition on its dividend income was improper and that it was erroneously and illegally collected. According to it, its dividend and interest income are not subject to LBT since it is only levied on banks and other financial institutions pursuant to Section 133(a)[18] of the Local Government Code (**LGC**) of 1991, as amended. In respondent's case, it is neither a bank nor a financial institution. It is a holding company exempt from the imposition of LBT on its dividend income. To support its claim, respondent cited the Court of Tax Appeal's (**CTA**'s) decision in *Metro Pacific Assets Holdings, Inc. v. Makati City and the Incumbent City Treasurer of Makati City*[19], where it was ruled that a holding company

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11 See last page of Respondent's Comment (To the Petition for Review dated November 4, 2024), Division Docket, p. 97.

12 Exhibit "D", RTC Records, p. 310.

13 Exhibit "F", id., p. 312.

14 Exhibit "E", id., p. 311.

15 Exhibit "G", id., p. 313.

16 Exhibit "C-1", id., p. 289.

17 Exhibit "C", id., pp. 289-309, including the attached annexes.

18 **Sec. 133**. *Common Limitations on the Taxing Powers of Local Government Units*. - Unless otherwise provided herein, the exercise of the taxing powers of provinces, cities, municipalities, and barangays shall not extend to the levy of the following:
(a) Income tax, except when levied on banks and other financial institutions[.]

19 C.T.A. Case No. 184, 02 July 2018.

may not be imposed with LBT under Section 10[20] of the Taguig City Ordinance (**TCO**) No. 034-17.[21]

Petitioner did not act on its claim for refund, hence, on 20 January 2020, respondent filed with the RTC of Taguig City a civil action for a sum of money and damages[22] (**Complaint**) against petitioner City Treasurer of Taguig. The case was docketed as Civil Case No. 668 and was raffled to the court *a quo*. Thereafter, Summons[23] was issued directing petitioner to file its Answer to the Complaint within fifteen (15) days from notice.

Without receiving petitioner's Answer, respondent filed with the court *a quo* a "Motion to Declare Defendant in Default"[24] (**Motion to Declare in Default**) on 19 October 2020. It averred that petitioner failed to file its Answer within the days prescribed in the Summons (or until 21 February 2020), thus respondent prayed that it be allowed to present its evidence *ex-parte*.

On 19 November 2020, petitioner filed an "Entry of Appearance with Omnibus Motion praying for the court *a quo* to: (1) allow it to file its comment/opposition to respondent's Motion to Declare in Default; and (2) admit its Answer to the Complaint dated 11 January 2020"[25] (**Omnibus Motion**). According to petitioner, its failure to file an Answer was an oversight caused by the handling lawyer's heavy workload. It added that it was also swamped with problems or concerns relating to the COVID 19 pandemic. Thus, it requested that the Motion to Declare in Default be denied and that the attached Answer[26] be admitted.

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20 **Sec. 10. TAX ON BANKS AND OTHER FINANCIAL INSTITUTIONS**[.]

21 AN ORDINANCE AMENDING CERTAIN PROVISIONS OF ORDINANCE NO. 24, SERIES OF 1993 OTHERWISE KNOWN AS "THE REVENUE CODE OF TAGUIG" AS AMENDED, AND ADOPTING THE NEW RATES OF BUSINESS AND OTHER TAXES PRESCRIBED UNDER THIS ORDINANCE.

22 See Complaint, RTC Records, pp. 5-8.

23 Issued on 05 February 2020, id., p. 32.

24 Id., pp. 35-37.

25 Id., pp. 39-64, including attached annexes.

26 Id., pp. 55-64.

After receiving respondent's Comment[27] (to petitioner's Omnibus Motion), in an Order dated 09 December 2020[28], the court *a quo* granted the said motion and declared petitioner City Treasurer of Taguig in default. It also did not admit petitioner's Answer.

Aggrieved by the court *a quo*'s action, petitioner filed a "Motion to Lift Order of Default dated 09 December 2020"[29] (**Motion to Lift**). It lamented that, while the Answer was indeed filed late, it was nevertheless filed prior to the declaration of default. Thus, it maintained that the court *a quo* should have admitted the Answer. Petitioner also pointed out that respondent's claim for refund had already prescribed. Unconvinced, the court *a quo* denied the Motion to Lift and proceeded with the presentation of respondent's evidence *ex parte*.[30]

In the trial that ensued, respondent presented the following witnesses, namely: (1) Joy B. Fajardo (**Fajardo**); and (2) Redencio C. Villarivera (**Villarivera**).

By way of Judicial Affidavit[31], Fajardo declared that she is respondent's Accounting Officer, charged with the responsibility of verifying financial transactions, ensuring tax compliance and safekeeping the company's financial documents. She testified further that: (1) when respondent was renewing its business permits for CYs 2018 and 2019, it was required to pay LBT under the category of 'Bank and other Financial Institutions (Holding Company)', as indicated in the Billing Statements that petitioner issued; (2) to secure respondent's business permits, it was constrained to pay the said LBT (as evidenced by the relevant ORs); (3) thereafter, respondent filed an administrative claim for refund and countered that its dividend income is not subject to LBT since it was neither a bank nor a financial institution, but a holding company; (4) according to the LGC of 1991, as amended, a local government unit (**LGU**) may only impose taxes on a dividend income of a company if it is a bank or a financial institution; and (5) *per*

27 Filed on 24 November 2020, id., pp. 76-78.
28 Id., pp. 85-88.
29 Filed on 12 January 2021, id., pp. 89-98.
30 See Order dated 22 January 2021, id., pp. 68-69.
31 Exhibit "R", Amended Judicial Affidavit of Joy B. Fajardo, id., pp. 128-133.

respondent's Amended Articles of Incorporation[32], it is primarily a holding company.

Later in Fajardo's testimony, she also identified respondent's Certificate of Registration[33] (**COR**) and Audited Financial Statements[34] (**AFSs**) for CYs 2017 and 2018 where it is indicated clearly that respondent is a holding company. She explained further that the dividend income is reported as respondent's passive income as a result of its investments (or holding shares of stocks) in Dacon Corporation.

Villarivera, on the other hand, testified that he is respondent's Corporate Secretary and handles all legal issues and concerns. He pointed to petitioner's (unadmitted) Answer where it was declared that the LBT imposed on respondent was based on Section 10 of TCO No. 034-17 that levied business taxes on banks and financial institutions in the rate of 12% of 1% on gross receipts from dividends, interests and commissions. Unfortunately, respondent is a holding company and being such could not be made liable for LBT. Moreover, Bangko Sentral ng Pilipinas (**BSP**) did not authorize respondent to conduct any banking activities. He insisted that respondent merely holds the shares of stocks of other corporation as an investment and only receives the dividend income which again could not be the subject of an LBT. Villarivera also cited the cases of *The City Treasurer of Makati City v. Michigan Holdings, Inc.*[35] (**Michigan Holdings**), *City of Davao, et al. v. Randy Allied Ventures, Inc.*[36] (**Randy Allied Ventures**) and *City of Davao, et al. v. AP Holdings, Inc.*[37] (**AP Holdings**) where the Supreme Court ruled that holding companies are not liable for LBT.

Lastly, Villarivera maintained that respondent's claim for refund is governed by Section 196[38] of the LGC of 1991, as amended, and not Section 195[39] as petitioner had claimed in its Answer. He explained that

32 Id., pp. 300-309.
33 Exhibit "I", id., p. 314.
34 Exhibit "J", id., pp. 315-339.
35 G.R. No. 224322 (Notice), 24 March 2021.
36 G.R. No. 241697, 29 July 2019.
37 G.R. No. 245887, 22 January 2020.
38 **Sec. 196**. *Claim for Refund of Tax Credit.*
39 **Sec. 195**. *Protest of Assessment.*

what respondent received were Billing Statements (during the business permit renewal) and not Notices of Assessment (**NOA**). Relative thereto, he insisted that both the administrative claim and judicial claim for refund were timely filed within the two (2)-year prescriptive period under Section 196 of the said law.

Upon the conclusion of the witnesses' testimonies, on 22 April 2024, respondent filed its "Formal Offer of Evidence"[40] (**FOE**). In an Order dated 06 May 2024, the court *a quo* admitted respondent's offered exhibits.[41]

With petitioner being declared in default and barred from participating in the trial, the court *a quo*, on 26 July 2024, rendered the assailed Decision granting respondent's claim for tax refund. The dispositive portion reads:

> ...
>
> **WHEREFORE**, premises considered, the instant case for Collection of Sum of Money and Damages which in essence a Claim for Tax Refund is hereby **GRANTED**.
>
> Accordingly, [petitioner] is **ORDERED** to **REFUND** or **PAY** in favor of [respondent] **LA LUMIERE HOLDINGS, INC.**, the following amounts:
>
> a. **Php139,064.43** representing the erroneously collected Business Tax for the year 2018; and
> b. **Php514,035.47** representing the erroneously collected Business Tax for the year 2019.
>
> **SO ORDERED.**
>
> ...

In its ruling, the court *a quo* initially clarified that although respondent's Complaint was captioned as "Collection of Sum of Money and Damages", in essence, it was a claim for refund. Being so, Section 196 of the LGC of 1991, as amended, governed the resolution of the case.

40 RTC Records, pp. 490-497.
41 Id., p. 498.

Summarizing the relevant facts and evaluating the allegations, the court *a quo* declared that: (1) the Billing Statements are different from a NOA (which is a proper subject of Section 195 of the LGC of 1991, as amended); (2) both the administrative and judicial claims for refund were timely filed within the two (2)-year prescriptive period reckoned from the payment of the first LBT, or on 20 January 2018; (3) respondent is neither a bank nor a financial institution but a holding company, thus, its dividend income may not be imposed with LBT pursuant to *Randy Allied Ventures*[42] and *Michigan Holdings*[43]; and (4) respondent's claim for refund is meritorious considering that petitioner erroneously imposed and collected LBT for CYs 2018 and 2019.

On 21 August 2024, petitioner filed its MR[44] to the assailed Decision. After respondent filed its comment or opposition thereto[45], the court *a quo* remained unconvinced and denied the MR in its similarly assailed Order of 06 September 2024.[46]

PROCEEDINGS BEFORE THIS COURT

Unable to get relief from the court *a quo*, on 16 October 2024, petitioner filed a "Motion for Extension of Time to file Petition for Review"[47] (**Motion for Extension**) and sought an additional 15 days from 20 October 2024, or until 04 November 2024 to file its petition. Accordingly, on 04 November 2024, petitioner filed the present Petition for Review.[48] It was raffled to the First Division[49] and docketed as CTA AC No. 346.

42 Supra at note 36.
43 Supra at note 35.
44 See "Motion for Reconsideration (of the Decision dated July 26, 2024)", supra at note 7.
45 See Comment-Opposition (To the Motion for Reconsideration dated August 13, 2024), id., pp. 554-563.
46 Supra at note 4.
47 Division Docket, pp. 5-9.
48 Supra at note 1.
49 Then composed of Presiding Justice Roman G. Del Rosario (Ret.) as Chairperson, Associate Justice Jean Marie A. Bacorro-Villena and Associate Justice Lanee S. Cui-David as Members.

In this petition, petitioner implores the reversal and setting aside of the court *a quo*'s assailed Decision[50] and Order.[51] Alternatively, it prays for the dismissal of respondent's prior Complaint for lack of merit and thus maintaining respondent's liability for LBT pursuant to Section 17[52] of TCO No. 034-17.

In the Minute Resolution dated 18 November 2024[53], the First Division granted petitioner's Motion for Extension and noted the filing of the Petition for Review. It also directed respondent to comment on the instant petition. Subsequently, the Court ordered the court *a quo*'s Branch Clerk of Court to elevate the entire original records of Civil Case No. 668 within ten (10) days from notice.[54]

On 05 December 2024, respondent filed its "Comment (To the Petition for Review dated November 4, 2024)".[55] After noting respondent's Comment, the instant case was submitted for decision.[56]

Meanwhile, in compliance with the Court's directive, the court *a quo*'s Branch Clerk of Court forwarded the entire records of Civil Case No. 668 on 19 December 2024.[57] The submission included one (1) folder consisting of 657 pages and two (2) Transcript of Stenographic Notes (**TSN**).

ISSUES

The issues[58] submitted for this Court's determination are —

WHETHER THE COURT *A QUO* ERRED IN FINDING THAT THE BILLING STATEMENTS ARE NOT IN THE NATURE OF A NOTICE OF ASSESSMENT (NOA) CONTEMPLATED UNDER THE LOCAL GOVERNMENT CODE (LGC) OF 1991, AS AMENDED;

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50 Supra at note 3.
51 Supra at note 4.
52 **Sec. 17. TAX ON HOLDING COMPANIES**[.]
53 Division Docket, p. 81.
54 See Letter dated 04 December 2024, id., p. 82.
55 Id., pp. 83-97.
56 See Minute Resolution dated 17 December 2024, id., p. 100.
57 See transmittal documents dated 18 December 2024, id., pp. 101-106.
58 See Assignment of Errors in the Petition for Review, supra at note 1, pp. 37-38.

WHETHER THE COURT *A QUO* ERRED IN FINDING THAT THE ADMINISTRATIVE AND JUDICIAL CLAIMS FOR REFUND WERE TIMELY FILED; AND

WHETHER THE COURT *A QUO* ERRED IN RENDERING THE ASSAILED DECISION AND ORDER WHICH GRANTED RESPONDENT LA LUMIERE HOLDINGS, INC.'S CLAIM FOR REFUND FOR THE ALLEGEDLY ERRONEOUSLY COLLECTED LOCAL BUSINESS TAX (LBT) IN THE TOTAL AMOUNT OF ₱653,099.81 IMPOSED ON ITS DIVIDEND INCOME FOR CALENDAR YEARS (CYs) 2018 AND 2019.

ARGUMENTS

In support of this case, petitioner insists that respondent could not be entitled to the LBT's refund since the refund claim was belatedly filed. It further argues that the instant case should be governed by Section 195 of the LGC of 1991, as amended, and not Section 196 as the court *a quo* previously applied in its ruling in the assailed Decision.

Petitioner explains that based on the documentary evidence, the Billing Statements issued to respondent are actually NOAs. It relies on the case of *Commissioner of Internal Revenue v. Pascor Realty and Development Corporation*[59] (**Pascor Realty**) where the Supreme Court declared that neither the National Internal Revenue Code (**NIRC**) of 1997, as amended, or the revenue regulations provide a specific definition or form of an assessment. As long as the assessment informs the taxpayer of the tax liabilities, sent and received by the taxpayer; and that there is a demand for payment within a specific period, then any form of notice will constitute the "assessment."

Petitioner adds that respondent should have filed a protest to the Billing Statements within sixty (60) days from its receipt, pursuant to Section 195 of the LGC of 1991, as amended. According to petitioner, respondent received the Billing Statements on 18 January 2018 and 17 January 2019. Hence, it should have filed its protest on or before 19 March 2018 and 18 March 2019, respectively. Since it failed to do so,

59 G.R. No. 128315, 29 June 1999.

its tax liability has become final and unappealable. Consequently, having thus filed the written claim for refund only on 25 September 2019, the court *a quo* should have dismissed respondent's case for lack of jurisdiction. Similarly, the instant case should be dismissed.

Petitioner also asserts that even assuming that respondent's protest was timely filed, the present action is time-barred after it failed to file the judicial appeal within thirty (30) days from the lapse of the 60-day period within which petitioner should have acted on its supposed protest. As the records allegedly bear, respondent filed the written claim for refund on 25 September 2019. Counting 60 days therefrom, petitioner should have acted on it on or before 24 November 2019. Due to inaction, respondent then should have initiated the judicial appeal on or before <u>24 December 2019</u>. However, as the prior Complaint was filed before the court *a quo* only on <u>20 January 2020</u>, the case had obviously prescribed.

Additionally, petitioner maintains that even if respondent's case with the court *a quo* was to be governed by Section 196 of the LGC of 1991, as amended, it is still barred by prescription. Quoting the *City of Manila, et al. v. Cosmos Bottling Corporation*[60] (**Cosmos Bottling**), petitioner restates that the judicial appeal should be filed within 30 days from the lapse of the 60-day period within which petitioner should have acted on the written claim for refund. However, as mentioned above, the prior Complaint (before the court *a quo*) was filed beyond the reglementary period.

Lastly, disagreeing with the court *a quo*'s pronouncement, it argues that every LGU has the power to create its own sources of revenues pursuant to Section 5[61], Article X[62] of the 1987 Constitution of the Philippines. Moreso, its power to levy and collect taxes are permitted under Sections 16[63], 151[64], 170[65] and 186[66] of the LGC of 1991,

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60 G.R. No. 196681, 27 June 2018.

61 SEC. 5. Each local government unit shall have the power to create its own sources of revenues and to levy taxes, fees, and charges subject to such guidelines and limitations as the Congress may provide, consistent with the basic policy of local autonomy. Such taxes, fees, and charges shall accrue exclusively to the local governments.

62 Local Government

63 **Sec. 16.** *General Welfare.*

as amended. Petitioner thus asserts that the levying of LBT on holding companies (such as respondent) is within its power to do so for the effective governance of those under its jurisdiction.

Petitioner submits further that although respondent may not be held liable for the LBT imposed under Section 10 of TCO No. 034-17, it is still liable for business taxes *albeit* on a different rate, *i.e.*, five percent (5%) of one percent (1%) of the declared dividend income, or in the total amount of ₱272,124.93 pursuant to Section 17 of TCO No. 034-17.

Respondent, on the other hand, counters that the court *a quo* was correct in ruling that the Billing Statements are not NOAs. Petitioner's cited case of *Pascor Realty* is inapplicable as the latter case involves a tax evasion case while the present controversy involves LBT. Moreover, *Pascor Realty* underscores the importance of due process wherein the taxpayer is duly informed of an assessment issued against it, one that is not a disputed issue in the present case. Moreover, respondent emphasizes that no NOA was issued and that the Billing Statements could not be considered a NOA under Section 195 of the LGC of 1991, as amended.

Respondent adds that the court *a quo* properly applied Section 196 of the LGC of 1991, as amended since there was an erroneous collection of LBT on its dividend income. It also contends that it properly observed the prescriptive period under the said provision when it filed both the administrative and judicial claims for refund. In addition, respondent asserts that petitioner misinterpreted the pronouncement in *Cosmos Bottling* since the period exhaustively discussed therein pertains to a situation where a NOA is issued to the taxpayer, which is contrary to the factual circumstances in this case.

Lastly, respondent alleges that Section 17 of TCO No. 034-17 goes against the mandate of the LGC which clearly provides that dividend and interest income are not subject to LBT (unless levied on banks and

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64 **Sec. 151**. *Scope of Taxing Powers.*
65 **Sec. 170**. *Collection of Local Revenue by Treasurer.*
66 **Sec. 186**. *Power To Levy Other Taxes, Fees or Charges.*

other financial institutions). As a holding company, its dividend income may then not be subjected to business tax.

RULING OF THE COURT

Before the Court proceeds to resolve the merits of the case, the Court finds it propitious to first discuss whether it has jurisdiction over the instant petition.

THE COURT OF TAX APPEALS (CTA) HAS JURISDICTION OVER THE INSTANT PETITION FOR REVIEW.

The CTA, being a court of special jurisdiction, can only take cognizance of matters that are clearly within its jurisdiction.[67] The jurisdiction of the CTA regarding local tax cases is provided under Section 7(a)(3) of Republic Act (**RA**) No. 1125[68], as amended by RA 9282[69] and RA 9503[70], which 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 local tax cases** originally decided or resolved by them **in the exercise of their original** or appellate **jurisdiction**[.][71]
>
> ...

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67 *Commissioner of Internal Revenue v. Silicon Philippines, Inc. (formerly Intel Philippines Manufacturing, Inc.)*, G.R. No. 169778, 12 March 2014.

68 AN ACT CREATING THE COURT OF TAX APPEALS.

69 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.

70 AN ACT ENLARGING THE ORGANIZATIONAL STRUCTURE OF THE COURT OF TAX APPEALS, AMENDING FOR THE PURPOSE CERTAIN SECTIONS OF THE LAW CREATING THE COURT OF TAX APPEALS, AND FOR OTHER PURPOSES.

71 Emphasis supplied and italics in the original text.

Similarly, Section 3(a)(3) of Rule 4 of the RRCTA states:

> ...
>
> **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**[.][72]
>
> ...

As to the reckoning point for filing an appeal before this Court in local tax cases decided by RTCs, Section 11, in relation to the aforecited Section 11 of RA 1125[73], as amended by RA 9282[74] and RA 9503[75], pertinently states:

> ...
>
> **SEC. 11.** *Who May Appeal; Mode of Appeal; Effect of Appeal.* — **Any party adversely affected by a decision, ruling** or inaction **of** the Commissioner of Internal Revenue, the Commissioner of Customs, the Secretary of Finance, the Secretary of Trade and Industry or the Secretary of Agriculture or the Central Board of Assessment Appeals or **the Regional Trial Courts may file an appeal with the CTA within thirty (30) days after the receipt of such decision or ruling** or after the expiration of the period fixed by law for action as referred to in Section 7(a)(2) herein.
>
> **Appeal shall be made by filing a petition for review under a procedure analogous to that provided for under Rule 42 of the 1997 Rules of Civil Procedure with the CTA within thirty (30) days from the receipt of the decision or ruling** or in the case of inaction as herein provided, from the expiration of the period fixed by law to act thereon. A Division of the CTA shall hear the appeal: *Provided, however,* That with respect to decisions or rulings of the Central Board of Assessment Appeals and the Regional Trial Court in the exercise of its appellate jurisdiction, appeal shall be

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72 Emphasis supplied and italics in the original text.
73 Supra at note 68.
74 Supra at note 69.
75 Supra at note 70.

> made by filing a petition for review under a procedure analogous to that provided for under Rule 43 of the 1997 Rules of Civil Procedure with the CTA, which shall hear the case *en banc*.[76]
>
> ...

It must be emphasized that jurisdiction over the subject matter or nature of an action is fundamental for a court to act on a given controversy and is conferred only by law and not by the consent or waiver upon a court which, otherwise, would have no jurisdiction over the subject matter or nature of an action.[77] A court's lack of jurisdiction over an action or the subject matter of an action cannot be cured by the silence, acquiescence, or even by express consent of the parties. If the court has no jurisdiction over the nature of an action, its only jurisdiction is to dismiss the case as the court could not decide the case on the merits.[78]

In its Motion for Extension[79], petitioner alleged that it received the court *a quo's* assailed Order[80] on 20 September 2024.[81] Respondent did not dispute this assertion. Counting 30 days therefrom, petitioner had until 20 October 2024 to file its petition. Nonetheless, it filed a Motion for Extension[82] and requested for an additional 15 days from 20 October 2024, or until 04 November 2024 to file the petition. As the Petition for Review was timely filed on 04 November 2024[83], the Court has jurisdiction over the case.

We proceed with a discussion of the substantive issues raised.

After an assiduous review of the case records and the parties' arguments, this Court finds no merit in the present petition.

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76 Emphasis supplied and italics in the original text.
77 *Nippon Express (Philippines) Corp. v. Commissioner of Internal Revenue*, G.R. No. 185666, 04 February 2015.
78 Id.
79 Supra at note 47.
80 Supra at note 4.
81 See par. 3, Timeliness of the Petition, Division Docket, p. 8.
82 Supra at note 47.
83 Supra at note 1.

SECTION 195 OF THE LOCAL GOVERNMENT CODE (LGC) OF 1991, AS AMENDED, *DOES NOT* APPLY IN THE INSTANT CASE.

Petitioner vehemently insists that the Billing Statements as NOA make them a proper subject of Section 195 of the LGC of 1991, as amended. In similar vein, petitioner asserts that it is the prescriptive periods of 60 days (from the receipt of the NOA) and 30 days (from the receipt of the action on the protest, or after the lapse of the 60-day period from the filing of the protest in case of inaction) that should have been observed in the filing of the written claim for refund and the prior Complaint.

Nevertheless, We are not persuaded with the said arguments.

Sections 195 and 196 of the LGC of 1991, as amended, provide separate and distinct remedies available to taxpayers, depending on the nature of the controversy.[84] Section 195 governs the protest of an assessment issued by a local treasurer, while Section 196 contemplates a claim for refund or tax credit of taxes erroneously or illegally collected.[85] The remedies are not interchangeable; each carries its own requisites, periods and consequences.

Sections 195 and 196 of the LGC of 1991, as amended, expressly state:

> ...
>
> **SEC. 195.** *Protest of Assessment.* — When the local treasurer or his duly authorized representative finds that correct taxes, fees, or charges have not been paid, he shall issue a notice of assessment stating the nature of the tax, fee, or charge, the amount of deficiency, the surcharges, interests and penalties. Within sixty (60) days from the receipt of the notice of assessment, the taxpayer may file a written protest with the local treasurer contesting the assessment; otherwise, the assessment shall become final and executory. The local treasurer shall decide the protest within sixty (60) days from

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[84] See *City of Manila and Office of the City Treasurer of Manila v. Cosmos Bottling Corporation*, supra at note 60.

[85] See id.

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.

SEC. 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.

...

The Supreme Court distinguished between the two (2) remedies in the case of *Cosmos Bottling*[86], as follows:

...

[Section 195] provides the procedure for contesting an assessment issued by the local treasurer; whereas, [Section 196] provides the procedure for the recovery of an erroneously paid or illegally collected tax, fee or charge. Both Sections 195 and 196 mention an administrative remedy that the taxpayer should first exhaust before bringing the appropriate action in court. In Section 195, it is the written protest with the local treasurer that constitutes the administrative remedy; while in Section 196, it is the written claim for refund or credit with the same office. As to form, the law does not particularly provide any for a protest or refund claim to be considered valid. It suffices that the written protest or refund is addressed to the local treasurer expressing in substance its desired relief. The title or denomination used in describing the letter would not ordinarily put control over the content of the letter.

Obviously, 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. Should the taxpayer find the assessment to be

[86] Supra at note 60; Citations omitted; italics, underscoring and emphasis in the original text and supplied.

erroneous or excessive, he may contest it by filing a written protest before the local treasurer within the reglementary period of sixty (60) days from receipt of the notice; otherwise, the assessment shall become conclusive. The local treasurer has sixty (60) days to decide said protest. In case of denial of the protest or inaction by the local treasurer, the taxpayer may *appeal* with the court of competent jurisdiction; otherwise, the assessment becomes conclusive and unappealable.

On the other hand, **Section 196 may be invoked by a taxpayer who claims to have erroneously paid a tax, fee or charge, or that such tax, fee or charge had been illegally collected from him**. The provision requires the taxpayer to first file a written claim for refund before bringing a suit in court which must be initiated within two years from the date of payment. By necessary implication, the administrative remedy of claim for refund with the local treasurer must be initiated also within such two-year prescriptive period but before the judicial action.

Unlike Section 195, however, Section 196 does not expressly provide a specific period within which the local treasurer must decide the written claim for refund or credit. It is, therefore, possible for a taxpayer to submit an administrative claim for refund very early in the two-year period and initiate the judicial claim already near the end of such two-year period due to an extended **inaction** by the local treasurer. In this instance, the taxpayer cannot be required to await the decision of the local treasurer any longer, otherwise, his judicial action shall be barred by prescription.

Additionally, Section 196 does not expressly mention an assessment made by the local treasurer. This simply means that its applicability **does not depend upon the existence of an assessment notice**. By consequence, a taxpayer may proceed to the remedy of refund of taxes even without a prior protest against an assessment that was not issued in the first place. This is not to say that an application for refund can never be precipitated by a previously issued assessment, for it is entirely possible that <u>the taxpayer, who had received a notice of assessment, paid the assessed tax, fee or charge believing it to be **erroneous or illegal**</u>. Thus, under such circumstance, ***the taxpayer may subsequently direct his claim pursuant to Section 196 of the LGC***.

Clearly, when a taxpayer is assessed a deficiency local tax, fee or charge, he may protest it under Section 195 even without making payment of such assessed tax, fee or charge. This is because the law on local government taxation, save in the case of real property tax, does not expressly require "*payment under protest*" as a procedure prior to instituting the appropriate proceeding in court. This implies that the success of a judicial action questioning the validity or correctness of the assessment is not necessarily hinged on the previous payment of the tax under protest.

Needless to say, there is nothing to prevent the taxpayer from paying the tax under protest or simultaneous to a protest. There are compelling reasons why a taxpayer would prefer to pay while maintaining a protest against the assessment. For instance, a taxpayer who is engaged in business would be hard-pressed to secure a business permit unless he pays an assessment for business tax and/or regulatory fees. Also, a taxpayer may pay the assessment in order to avoid further penalties, or save his properties from levy and distraint proceedings.

The foregoing clearly shows that a taxpayer facing an assessment may protest it and alternatively: (1) appeal the assessment in court, or (2) pay the tax and thereafter seek a refund. Such procedure may find jurisprudential mooring in *San Juan v. Castro* wherein the Court described for the first and only time the alternative remedies for a taxpayer protesting an assessment — either appeal the assessment before the court of competent jurisdiction, or pay the tax and then seek a refund. The Court, however, did not elucidate on the relation of the second mentioned alternative option, i.e., pay the tax and then seek a refund, to the remedy stated in Section 196.

...

Where an assessment is to be protested or disputed, the taxpayer may proceed (*a*) without payment, or (*b*) with payment of the assessed tax, fee or charge. Whether there is payment of the assessed tax or not, it is clear that the protest in writing must be made within sixty (60) days from receipt of the notice of assessment; otherwise, the assessment shall become final and conclusive. Additionally, the subsequent court action must be initiated within thirty (30) days from denial or inaction by the local treasurer; **otherwise, the assessment becomes conclusive and unappealable.**

(a) Where no payment is made, the taxpayer's procedural remedy is governed strictly by **Section 195**. That is, in case of whole or partial denial of the protest, or inaction by the local treasurer, the taxpayer's only recourse is to *appeal* the assessment with the court of competent jurisdiction. The appeal before the court does not seek a refund but only questions the validity or correctness of the assessment.

(b) Where payment was made, the taxpayer may thereafter maintain an action in court questioning the validity and correctness of the assessment (**Section 195**, LGC) and at the same time seeking a refund of the taxes. In truth, it would be illogical for the taxpayer to only seek a reversal of the assessment without praying for the refund of taxes. Once the assessment is set aside by the court, it follows as a matter of course that all taxes paid under the erroneous or invalid assessment are refunded to the taxpayer.

The same implication should ensue even if the taxpayer were to style his suit in court as an action for refund or recovery of erroneously paid or illegally collected tax as pursued under **Section 196** of the LGC. In such a suit for refund, the taxpayer cannot successfully prosecute his theory of erroneous payment or illegal collection of taxes without necessarily **assailing the validity or correctness of the assessment** he had administratively protested.

It must be understood, however, that in such latter case, the suit for refund is conditioned on the prior filing of a written claim for refund or credit with the local treasurer. In this instance, what may be considered as the administrative claim for refund is the letter-protest submitted to the treasurer. Where the taxpayer had paid the assessment, it can be expected that in the same letter- protest he would also pray that the taxes paid should be refunded to him. As previously mentioned, there is really no particular form or style necessary for the protest of an assessment or claim of refund of taxes. What is material is the substance of the letter submitted to the local treasurer.

Equally important is the institution of the judicial action for refund **within thirty (30) days from the denial of or inaction on the letter-protest or claim**, not any time later, even if within two (2) years from the date of payment (as expressly stated in Section 196). Notice that the filing of such judicial claim for refund after questioning the assessment is within the two-year prescriptive period specified in Section 196. Note too that the filing date of such judicial action necessarily falls on the beginning portion of the two-year period from the date of payment. Even though the suit is seemingly grounded on Section 196, **the taxpayer could not avail of the full extent of the two-year period within which to initiate the action in court.**

The reason is obvious. This is because an assessment was made, and if not appealed in court within thirty (30) days from decision or inaction on the protest, it becomes conclusive and unappealable. Even if the action in court is

> one of claim for refund, the taxpayer cannot escape assailing the assessment, invalidity or incorrectness, the very foundation of his theory that the taxes were paid erroneously or otherwise collected from him illegally. Perforce, the subsequent judicial action, after the local treasurer's decision or inaction, must be initiated within thirty (30) days later. It cannot be anytime thereafter because the lapse of 30 days from decision or inaction results in the assessment becoming conclusive and unappealable. In short, the scenario wherein the administrative claim for refund falls on the early stage of the two-year period but the judicial claim on the last day or late stage of such two-year period does not apply in this specific instance where an assessment is issued.
>
> **To stress, where an assessment is issued, the taxpayer cannot choose to pay the assessment and thereafter seek a refund *at any time* within the full period of two years from the date of payment as Section 196 may suggest. If refund is pursued, the taxpayer must administratively question the validity or correctness of the assessment in the 'letter-claim for refund' *within 60 days from receipt of the notice of assessment*, and thereafter bring suit in court *within 30 days from either decision or inaction* by the local treasurer.**
>
> Simply put, there are two conditions that must be satisfied in order to successfully prosecute an action for refund in case the taxpayer had received an assessment. *One*, pay the tax and administratively assail within 60 days the assessment before the local treasurer, whether in a letter-protest or in a claim for refund. *Two*, bring an action in court within thirty (30) days from decision or inaction by the local treasurer, whether such action is denominated as an appeal from assessment and/or claim for refund of erroneously or illegally collected tax.
>
> ...

These guidelines were succinctly reiterated in the case of *International Container Terminal Services, Inc. v. The City of Manila, et al.*[87] (**ICTSI**) in this wise:

> ...
>
> **If the taxpayer receives an assessment and does not pay the tax, its remedy is strictly confined to Section 195 or the Local Government Code.** Thus, it must file a written protest with

87 G.R. No. 185622, 17 October 2018; Citations omitted and emphasis supplied.

the local treasurer within 60 days from the receipt of the assessment. If the protest is denied, or if the local treasurer fails to act on it, then the taxpayer must appeal the assessment before a court of competent jurisdiction within 30 days from receipt of the denial, or the lapse of the 60-day period within which the local treasurer must act on the protest. In this case, as no tax was paid, there is no claim for refund in the appeal.

If the taxpayer opts to pay the assessed tax, fee, or charge, it must still file the written protest within the 60-day period, and then bring the case to court within 30 days from either the decision or inaction of the local treasurer. In its court action, the taxpayer may, at the same time, question the validity and correctness of the assessment and seek a refund of the taxes it paid. "Once the assessment is set aside by the court, it follows as a matter of course that all taxes paid under the erroneous or invalid assessment are refunded to the taxpayer."

On the other hand, if no assessment notice is issued by the local treasurer, and the taxpayer claims that it erroneously paid a tax, fee, or charge, or that the tax, fee, or charge has been illegally collected from him, then Section 196 applies.

...

Clearly from these jurisprudential pronouncements, the key factor in determining whether Section 195 or 196 of LGC of 1991, as amended, is applicable hinges on the LGU's basis for the collection of the tax. Put differently, Section 195 finds application in cases where a **tax assessment is issued to the taxpayer, thereby presupposing the existence of a tax assessment**. On the other hand, Section 196 assumes relevance in instances **where no such assessment exists.**[88]

Pertinently, Section 195 of LGC of 1991, as amended, explicitly states that the NOA must indicate the nature of the tax, fee, or charge, the amount of deficiency, the surcharges, interests, and penalties. The Supreme Court clarified this requirement in the case of *Luz R. Yamane, in her capacity as the City Treasurer of Makati City v. BA Lepanto Condominium Corporation*[89], to wit:

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88 *Hon. Lourdes R. Jose, in her capacity as City Treasurer of City of Caloocan v. Tigerway Facilities and Resources, Inc.*, G.R. No. 247331, 26 February 2024.

89 G.R. No. 154993, 25 October 2005; Citations omitted, emphasis supplied and italics in the original text.

> ...
>
> Ostensibly, the **notice of assessment, which stands as the first instance the taxpayer is officially made aware of the pending tax liability, should be sufficiently informative to apprise the taxpayer the legal basis of the tax. Section 195 of the Local Government Code does not go as far as to expressly require that the notice of assessment specifically [cites] the provision of the ordinance involved but it does require that it state the nature of the tax, fee or charge, the amount of deficiency, surcharges, interests and penalties**. In this case, the notice of assessment sent to the Corporation did state that the assessment was for business taxes, as well as the amount of the assessment. There may have been *prima facie* compliance with the requirement under Section 195. However, in this case, the Revenue Code provides multiple provisions on business taxes, and at varying rates. Hence, we could appreciate the Corporation's confusion, as expressed in its protest, as to the exact legal basis for the tax. Reference to the local tax ordinance is vital, for the power of local government units to impose local taxes is exercised through the appropriate ordinance enacted by the *sanggunian*, and not by the Local Government Code alone. What determines tax liability is the tax ordinance, the Local Government Code being the enabling law for the local legislative body.
>
> ...

Tersely, a valid NOA must contain the following: (1) nature of the tax, fee, or charge; and (2) amount of **deficiency**, the surcharges, interests, and penalties.

The term "deficiency tax", *albeit* for national taxes, refers to the additional tax due **after investigation**[90], presupposing an amount found to be due after the original tax was assessed and paid, if any. This finds support in Section 194 of the LGC of 1991, as amended, which explicitly provides that "[l]ocal taxes, fees, or charges **shall be assessed within five (5) years from the date they became due**."

In the case at bar, the Billing Statements dated 18 January 2018[91] and dated 17 January 2019[92], issued in connection with the renewal of respondent's business permits for CYs 2018 and 2019, respectively,

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90 Revenue Memorandum Order (RMO) No. 25-77, 21 June 1977.
91 Supra at note 12.
92 Supra at note 14.

purportedly cover the entire year, even though the due dates for the second (2^{nd}), third (3^{rd}) and fourth (4^{th}) quarters had yet to arrive.[93]

Although the Billing Statements include a provision for the imposition of surcharges and interest[94], they, however, fail to state any deficiency tax. Likewise, they do not show the factual and legal bases supporting the assessment. As held by the Supreme Court in *ICTSI*[95], the "assessments" paid as a prerequisite for the renewal of business permits do not contain any amount of deficiency, surcharges, interests or penalties due from the taxpayer, thus could not be considered a NOA under Section 195 of the LGC of 1991, as amended –

> ...
>
> **The "assessments" from the fourth quarter of 1999 onwards were Municipal License Receipts; Mayor's Permit, Business Taxes, Fees & Charges Receipts; and Official Receipts issued by the Office of the City Treasurer for local business taxes, which must be paid as prerequisites for the renewal of petitioner's business permit in respondent City of Manila. While these receipts state the amount and nature of the tax assessed, they do not contain any amount of deficiency, surcharges, interests, and penalties due from petitioner. They cannot be considered the "notice of assessment" required under Section 195 of the Local Government Code.**
>
> When petitioner paid these taxes and filed written claims for refund before respondent City Treasurer, the subsequent denial of these claims should have prompted resort to the remedy laid down in Section 196, specifically the filing of a judicial case for the recovery of the allegedly erroneous or illegally collected tax within the two (2)-year period.
>
> ...

Accordingly, the subject Billing Statements that petitioner issued could not amount to an "assessment" within the contemplation of Section 195 of LGC of 1991, as amended. Consequently, the two (2)-year prescriptive period under Section 196 of LGC of 1991, as amended,

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93 2^{nd} quarter LBT is due on or before April 20; 3^{rd} quarter LBT is due on or before July 20; 4^{th} quarter LBT is due on or before October 20; *cf.* Section 167, LGC of 1991, as amended.

94 Failure to do so, shall subject the tax due to 25% Surcharge and 2% Interest *per* Month.

95 Supra at note 87; Citation omitted and emphasis supplied.

which governs claims for refund or tax credit of erroneously or illegally collected local taxes, must be applied to respondent's claim.

BEING A HOLDING COMPANY, RESPONDENT IS NOT SUBJECT TO LOCAL BUSINESS TAX (LBT) ON ITS DIVIDEND INCOME.

As the records bear, petitioner had assessed respondent for LBT on its dividend income (as declared in the application forms[96] for the business permit renewal) in the amounts of ₱139,064.34 (for CY 2018) and ₱514,035.47 (for CY 2019). The said amounts were computed using the rate provided under Section 10 of TCO No. 034-17 which states –

> ...
>
> **SEC. 10. TAX ON BANKS AND OTHER FINANCIAL INSTITUTIONS.** — Section 75 [(]h) of the Revenue Code of Taguig of 1993, as amended, is hereby amended to read as follows:
>
> "h) Banks and other financial institutions shall be taxed at the rate of twelve percent (12%) of one percent (1%) of the gross receipts from interests, commissions and discounts from lending activities, income from financial leasing, investments, dividends, and insurance premium. This classification includes operations of offshore banking, non-bank financial intermediaries, lending investors, finance and investment companies, investment houses, pawnshops, money shops, insurance and pre-need companies, stock markets, stock brokers, dealers in securities and foreign exchange.
>
> Receipts derived from other businesses, such as sale, lease or rental of property, shall be subject to the applicable tax rate provided in this Code."
>
> ...

We find the assessment and eventual collection of the assessed LBT to be equally bereft of any legal mooring.

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96 See Exhibits "K" and "L", RTC Records, pp. 340-341.

Section 143(f) of the LGC of 1991, as amended, provides that municipalities may impose business taxes on banks and other financial institutions, at a rate not exceeding fifty percent (**50%**) of one percent (**1%**) on the gross receipts of the preceding CY derived from interest, commissions and discounts from lending activities, income from financial leasing, dividends, rentals on property and profit from exchange or sale of property, insurance premium.

Relative thereto, Section 131(e) of the same law defines "banks and other financial institutions" as those including non-bank financial intermediaries (**NBFI**), lending investors, finance and investment companies, pawnshops, money shops, insurance companies, stock markets, stock brokers and dealers in securities and foreign exchange, as defined under applicable laws, or rules and regulations thereunder.

Based on the foregoing, the assessment of LBT upon "banks and other financial institutions" is based on the fact that *they are regularly engaged in such activity as a means of livelihood or with a view for profit.*[97] As such, LBT is imposed on gross receipts from interest, commissions and discounts from lending activities, income from financial leasing, dividends, rentals on property and profit from exchange or sale of property, insurance premium.[98]

Meanwhile, in *Randy Allied Ventures*[99], the Supreme Court declared that to be considered as an NBFI under the LGC, in relation to the NIRC of 1997, as amended, and pertinent banking laws and regulations, the following requisites must concur:

a) The person or entity is authorized by the BSP to perform quasi- banking functions[100];

b) The principal functions of said person or entity include the lending, investing or placement of funds or evidence of

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97 *City of Davao, et al. v. First Meridian Development, Inc.*, G.R. No. 240078 (Notice), 19 October 2022.
98 Id.
99 Supra at note 36.
100 See Section 131(e) of the Local Government Code (**LGC**) of 1991, as amended; and Section 22(W) of the National Internal Revenue Code (**NIRC**) of 1997, as amended.

indebtedness or equity deposited to them, acquired by them, or otherwise coursed through them, either for their own account or for the account of others[101]; and

c) The person or entity must perform any of the following functions on a regular and recurring, not on an isolated basis[102], to wit:

1. Receive funds from one (1) group of persons, irrespective of number, through traditional deposits, or issuance of debt or equity securities; and make available/lend these funds to another person or entity, and in the process acquire debt or equity securities;

2. Use principally the funds received for acquiring various types of debt or equity securities;

3. Borrow against, or lend on, or buy or sell debt or equity securities.

Also in *Randy Allied Ventures*[103], the Supreme Court explained the difference between a "holding company" and a financial intermediary (like banks), *viz* –

> ...
>
> Indeed, there is a stark distinction between a holding company and a financial intermediary as contemplated under the LGC, in relation to other laws. A "holding company is 'organized' and is basically conducting its business by **investing substantially in the equity securities** of another company for the **purpose of controlling their policies** (as opposed to directly engaging in operating activities) and '**holding**' them in a conglomerate or umbrella structure along with other subsidiaries." <u>While holding companies may partake in investment activities, this does not *per se* qualify them as financial intermediaries that are actively dealing in the same. Financial intermediaries are regulated by the BSP because they deal with public funds when they offer quasi-banking functions.</u>

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[101] See Section 2 (2.3), BIR Revenue Regulations No. 09-04; and Section 4101Q.1, BSP Manual of Regulations for Non-Bank Financial Institutions.

[102] See Section 4101Q.1 of the BSP Manual of Regulations for Non-Bank Financial Institutions.

[103] Supra at note 36; Citations omitted, emphasis and italics in the original text, and underscoring supplied.

> On the other hand, a holding company is not similarly regulated because any investment activities it conducts are mere incidental operations, since its main purpose is to hold shares for policy-controlling purposes.
>
> ...

Respondent, in owning shares of stock in Dacon Corporation[104], as well as deriving dividends therefrom, cannot be said to be "doing business" as a bank or other "financial intermediary". Neither can it be classified as NBFI since it is not registered with the BSP to perform quasi-banking functions nor does it conduct the abovementioned functions in a regular or a recurring basis.

Unfortunately, petitioner could also not find solace from Section 17 of TCO No. 034-17 to justify the imposition of LBT. The provision reads:

> ...
> SEC. 17. Tax on Holding Companies. — Section 75 of the Revenue Code of Taguig of 1993, as amended, is hereby amended to include subsection o):
>
> "o) Dividend income received by holding companies from their investments in shares of stock or interests in other companies shall be taxed at a rate of five percent (5%) of one percent (1%). Said amount of dividend income derived by a holding company as a result of a declaration of dividends shall be taxed only once; such that, subsequent declaration of the same dividend income to its parent holding company or companies also within the jurisdiction of City of Taguig shall not be further taxed.
>
> Receipts other than such dividend income of holding companies shall be taxed according to the business classification of its sources."
>
> ...

Certainly, the power of taxation, while inherent in the State in view of its sovereign prerogatives, is not inherent in municipal

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104 See marking "O-1" and marking "P-1", RTC Records, pp. 351 and 363, respectively.

corporations or LGUs.[105] **LGUs may exercise the power only if and to the extent that it is delegated to them.**[106] The common limitations on the power to tax of LGUs are those provided in Section 133 of the LGC of 1991, as amended. Particularly, Section 133(a) of the said law declares:

> ...
> Sec. 133. Common Limitations on the Taxing Powers of Local Government Units. - Unless otherwise provided herein, the exercise of the taxing powers of provinces, cities, municipalities, and barangays shall not extend to the levy of the following:
>
> (a) **Income tax, except when levied on banks and other financial institutions**[.][107]
>
> ...

Section 133(a) of the LGC reinforces the prohibition to cities and municipalities when imposing income taxes, except when levied on banks and other financial institutions.[108] The reason is far from being unclear, *i.e.*, **the dividend and interest income form part of the gross receipts of banks and other financial institutions derived from the conduct of their principal trade or business.**[109]

As respondent correctly points out, dividend income received as a passive income is not subject to LBT as clarified in the Bureau of Local Government Finance Opinion dated 22 February 2011.[110] The relevant portions state –

> ...
> It is clear from [Section 143(f)] that unless imposed on banks and other financial institutions, any tax imposed on interest, dividends, and gains from sale of shares of non-bank and non-financial institutions assume the nature of income tax. The reason for this is evident: while banks and other financial institutions derive gross receipts in the ordinary course of their business as financial

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105 *City of Manila, et al. v. Hon. Angel Valera Colet, et al.*, G.R. Nos. 120051, 121613, 121675, 121704, 121720-28, 121847-55, 122333, 122335, 122349 and 124855, 10 December 2014.
106 Id.
107 Emphasis supplied.
108 *The City Treasurer of Makati City v. Michigan Holdings, Inc.*, supra at note 35.
109 Id.
110 Addressed to Ms. Salvacion T. Alcober.

institutions, the same cannot be said for non-bank and non-financial institutions. **As to the latter, interest, dividends, and gains from sale of shares are merely passive investment income.**

Further, Section 131 (n) is quoted as follows:

> "*[Section 131(n), LGC]* 'Gross Sales or Receipts include the total amount of money or its equivalent representing the contract price, compensation or service fee, including the amount charged or materials supplied with the services and deposits or advance payments actually or constructively received during the taxable quarter for the services performed or to be performed for another person excluding discounts if determinable at the time of sales, sales return, excise tax, and value-added tax (VAT).'"

The above definition of the phrase "gross sales or receipts" does not include nor make mention of passive income such as dividend income received from another domestic corporation, as one of those that are considered part or form part of the "gross sales or receipts" and therefore such income is not subject to local business tax.

Thus, income arising from interest, dividends, royalties do not form part of LPI's gross receipts as these are merely incidental having been earned outside of its primary scope of business operations and therefore not subject to local business taxes under Section 143 of the LGC. [111]

...

To reiterate, a municipal corporation unlike a sovereign state is clothed with no inherent power of taxation.[112] The charter or statute must plainly show an intent to confer that power or the municipality cannot assume it.[113] And the power when granted is to be construed in *strictissimi juris*. [114]Any doubt or ambiguity arising out of the term used in granting that power must be resolved against the municipality.[115] Inferences, implications, deductions – all these – have no place in the interpretation of the taxing power of a municipal corporation.[116]

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111 Italics in the original text and emphasis supplied.
112 *City of Manila, et al. v. Hon. Angel Valera Colet, et al.*, supra at note 105.
113 Id.
114 Id.
115 Id.
116 Id.

WHEREFORE, the foregoing premises considered, the present Petition for Review filed by petitioner Atty. Voltaire L. Enriquez, in his capacity as the City Treasurer of Taguig City on 04 November 2024 is hereby **DENIED**. Accordingly, the Decision dated 26 July 2024 and the Order dated 06 September 2024, both rendered by the Regional Trial Court of the City of Taguig, Branch 153 in Civil Case No. 668, are hereby **AFFIRMED**.

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 case was assigned to the writer of the opinion of the Court's Division.

JEAN MARIE A. BACORRO-VILLENA
Associate Justice
First Division Acting Chairperson

CERTIFICATION

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

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice