

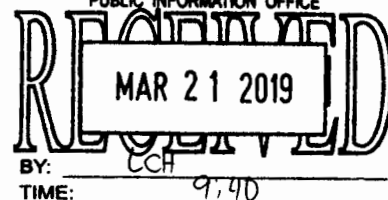


REPUBLIC OF THE PHILIPPINES  
 SUPREME COURT  
 Manila

SECOND DIVISION

NOTICE

SUPREME COURT OF THE PHILIPPINES  
 PUBLIC INFORMATION OFFICE



Sirs/Mesdames:

Please take notice that the Court, Second Division, issued a Resolution dated **11 February 2019** which reads as follows:

**G.R. No. 243823 (City of Davao and Erwin P. Alparaque, in his official capacity as Acting City Treasurer of the City of Davao v. Rock Steel Resources, Inc.)**

After a judicious study of the case, the Court resolves to **DENY** the instant petition<sup>1</sup> and **AFFIRM** the June 19, 2018 Decision<sup>2</sup> and the November 19, 2018 Resolution<sup>3</sup> of the Court of Tax Appeals *En Banc* (CTA *EB*) in CTA *EB* No. 1567 for failure of petitioners City of Davao and Erwin P. Alparaque, in his official capacity as Acting City Treasurer of the City of Davao (petitioners), to sufficiently show that the CTA *EB* committed any reversible error in holding that respondent Rock Steel Resources, Inc. (respondent), and the income derived from its San Miguel Corporation shares (SMC shares), are government properties which the City Government of Davao cannot tax, and that in any event, respondent cannot be considered a “non-bank financial intermediary” (NBFi).

As correctly ruled by the CTA *EB*, the Supreme Court’s unequivocal pronouncement in *Philippine Coconut Producers Federation, Inc. v. Republic*,<sup>4</sup> that Coconut Industry Investment Fund (CIIF) companies and the CIIF block of SMC shares are “government assets” and are “accordingly owned by the Government,”<sup>5</sup> leads to the conclusion that respondent’s dividend and interest income are beyond the taxing power of local government units, such as the City Government of Davao, by clear mandate of Section 133 (o)<sup>6</sup> of Republic Act No. 7160,<sup>7</sup> otherwise known as the “Local Government Code of 1991.” In any case, the CTA *EB* also correctly held that respondent is not a NBFi since its principal function does not solely relate to lending, investing or placement of funds for its own account

<sup>1</sup> *Rollo*, pp. 14-31.

<sup>2</sup> Id. at 33-51. Penned by Associate Justice Cielito N. Mindaro-Grulla with Presiding Justice Roman G. Del Rosario and Associate Justices Lovell R. Bautista, Erlinda P. Uy, Esperanza R. Fabon-Victorino, Ma. Belen M. Ringpis-Liban, and Catherine T. Manahan, concurring. Presiding Justice Roman G. Del Rosario issued a Concurring Opinion (see id. at 52-54.). Associate Justice Juanito C. Castañeda, Jr. issued a Dissenting Opinion, joined by Associate Justice Caesar A. Casanova (see id. at 55-59).

<sup>3</sup> Id. at 60-66. Penned by Associate Justice Cielito N. Mindaro-Grulla with Presiding Justice Roman G. Del Rosario and Associate Justices Erlinda P. Uy, Ma. Belen M. Ringpis-Liban, and Catherine T. Manahan, concurring. Associate Justice Juanito C. Castañeda, Jr., dissenting. Associate Justice Esperanza R. Fabon-Victorino, on leave.

<sup>4</sup> 679 Phil. 508 (2012).

<sup>5</sup> Id. at 621.

<sup>6</sup> Section 133. *Common Limitation 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:

x x x x

(o) Taxes, fees or charges of any kind on the National Government, its agencies and instrumentalities, and local government units.

<sup>7</sup> Entitled “AN ACT PROVIDING FOR A LOCAL GOVERNMENT CODE OF 1991,” approved on October 10, 1991.

or for the account of others.<sup>8</sup> It has also not been proven that it has undertaken such activities on a regular and recurring basis, or that it has performed such functions at all.<sup>9</sup> It is settled that the CTA's findings can only be disturbed on appeal if they are not supported by substantial evidence, or there is a showing of gross error or abuse on the part of the Tax Court. In the absence of any clear and convincing proof to the contrary, the Court must presume that the CTA rendered a decision which is valid in every respect,<sup>10</sup> as in this case.

**SO ORDERED.** // (HERNANDO, J., designated Additional Member per Special Order Nos. 2629 and 2630 dated December 18, 2018.)

Very truly yours,

MARIA LOURDES C. PERFECTO  
Division Clerk of Court

By:

  
TERESITA AQUINO TUAZON  
Deputy Division Clerk of Court

13 MAR 2019

<sup>8</sup> See Section 4101Q.1 of the Manual of Regulations for Non-bank Financial Institutions.

<sup>9</sup> See *rollo*, pp. 48-49.

<sup>10</sup> See *CIR v. GJM Philippines Manufacturing, Inc.*, 781 Phil. 816, 825 (2016).

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GR243823. 02/11/19(108[b])URES 