



REPUBLIC OF THE PHILIPPINES
SUPREME COURT
Manila

SECOND DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, Second Division, issued a Resolution dated **October 19, 2022** which reads as follows:*

“G.R. No. 240078 (CITY OF DAVAO AND VILLA V. DUREZA, OFFICER-IN-CHARGE, CITY TREASURER’S OFFICE OF DAVAO CITY, Petitioners v. FIRST MERIDIAN DEVELOPMENT, INC., Respondent). — Local government units may impose local business tax upon certain entities such as banks and other financial institutions, including non-bank financial intermediaries, for the privilege of doing business within their territorial jurisdictions. However, a holding company’s mere management of dividends it receives from shares of stock is insufficient to consider it as a non-bank financial intermediary such that local business tax may be assessed against it.¹

This Court resolves a Petition for Review on Certiorari² seeking to reverse and set aside the Decision³ and Resolution⁴ of the Court of Tax Appeals *En Banc*, which affirmed the Court of Tax Appeals First Division’s ruling⁵ cancelling the assessment of local business tax against First Meridian Development, Inc. (First Meridian) for the third and fourth quarters of the taxable year 2011.

In 2010, First Meridian received ₱165,961,458.25 as dividends from its preferred shares in San Miguel Corporation and interests on its money market placements.⁶

¹ *City of Davao v. Randy Allied Ventures, Inc.*, G.R. No. 241697, July 29, 2019 [Per J. Perlas-Bernabe, Second Division].

² *Rollo*, pp. 15–31.

³ *Id.* at 35–51. The December 18, 2017 Decision in CTA EB No. 1590 was penned by Associate Justice Ma. Belen M. Ringpis-Liban with the concurrence of Presiding Justice Roman G. Del Rosario, Associates Justices Lovell R. Bautista, Erlinda P. Uy, Esperanza R. Fabon-Victorino, Cielito N. Mindaro-Grulla, and Catherine T. Manahan of the Court of Tax Appeals *En Banc*. Associate Justices Juanito C. Castañeda, Jr. and Caesar A. Casanova dissented.

⁴ *Id.* at 53–56. The May 10, 2018 Resolution in CTA EB No. 1590 was penned by Associate Justice Ma. Belen M. Ringpis-Liban with the concurrence of Presiding Justice Roman G. Del Rosario, Associates Justices Juanito C. Castañeda, Jr., Lovell R. Bautista, Erlinda P. Uy, Caesar A. Casanova, Esperanza R. Fabon-Victorino, and Cielito N. Mindaro-Grulla of the Court of Tax Appeals *En Banc*. Meanwhile, Associate Justice Catherine T. Manahan was on official business.

⁵ The August 26, 2016 Decision of the Court of Tax Appeals First Division is not attached to the *rollo*.

⁶ *Rollo*, p. 57.

On January 20, 2014, the City of Davao assessed First Meridian for deficiency local business tax in the amount of ₱907,083.10.⁷

On March 21, 2014, First Meridian filed an administrative protest before the city treasurer of Davao City, then Rodrigo S. Riola, assailing the erroneously and illegally assessed local business tax.⁸

In an April 4, 2014 letter, the city treasurer responded to First Meridian, stating that in accordance with Section 423 of the 2005 Revenue Code of the City of Davao, no protest shall be entertained unless First Meridian pays the imposed tax. It also required First Meridian to show proof of payment of the assailed tax.⁹

In an April 15, 2014 letter, First Meridian asserted that the City of Davao does not have the authority to impose the additional requirement of payment under protest of the assessed tax. As such, it requested that its protest be acted upon despite not paying under protest.¹⁰

On May 5, 2014, the city treasurer reiterated its position that it would not entertain the protest until payment is made.¹¹

Due to the city treasurer's continued inaction, First Meridian filed a Petition for Review before the Regional Trial Court of Davao City.¹²

In an October 15, 2014 Order,¹³ the Regional Trial Court denied the Petition. It held that First Meridian is a financial intermediary whose dividends and interest income are subject to local business taxes. This assessment was based on the definition of "non-banking financial intermediaries" in the Manual of Regulations for Non-Bank Financial Institutions of the Bangko Sentral ng Pilipinas, as compared to First Meridian's Articles of Incorporation.¹⁴

The dispositive portion of the trial court's October 15, 2014 Order reads:

⁷ Id. The City of Davao used the rate of 0.55% local business tax on the ₱165,961,458.25 First Meridian received in 2010.

⁸ Id.

⁹ Id. at 36.

¹⁰ Id.

¹¹ Id. at 37.

¹² Id.

¹³ Id. at 57–68-A. The Order was penned by Presiding Judge Emmanuel C. Carpio of the Regional Trial Court of Davao City, Branch 16.

¹⁴ Id. at 66–68-A.

FOR REASONS STATED, the instant “Petition for Review” filed by the Petitioner under Section 195 of Republic Act No. 7160 is hereby DENIED and/or DISMISSED.

SO ORDERED.¹⁵

First Meridian moved for reconsideration, which was denied by the trial court in its December 17, 2014 Order.¹⁶

On February 6, 2015, First Meridian filed a Petition for Review before the Court of Tax Appeals.¹⁷

In its August 26, 2016 Decision, the Court of Tax Appeals First Division granted First Meridian’s Petition and reversed the ruling of the trial court.¹⁸

WHEREFORE, in light of the foregoing considerations, the instant Petition for Review is GRANTED. The assailed Orders dated October 15, 2014 and December 17, 2014, both issued by Branch 11 [sic] of the RTC, 11th Judicial Region, Davao City, are REVERSED and SET ASIDE. Accordingly, the local business tax assessed against [Respondent] for the third and fourth quarters of taxable year 2011 in the aggregate amount of [Php]907,083.10 is CANCELLED and SET ASIDE.

SO ORDERED.¹⁹

The City of Davao and the city treasurer moved for reconsideration but the Court of Tax Appeals First Division denied this for lack of merit.²⁰

Aggrieved, the City of Davao and the City Treasurer’s Office of Davao City, through Officer-in-Charge Bella Linda N. Tanjili (Tanjili), filed a Petition for Review before the Court of Tax Appeals *En Banc*.²¹

In its December 18, 2017 Decision,²² the Court of Tax Appeals *En Banc* denied the Petition for lack of merit.

The dispositive portion of the Court of Tax Appeals *En Banc*’s Decision reads:

¹⁵ Id. at 68-A.

¹⁶ Id. at 38.

¹⁷ Id.

¹⁸ Not attached in the *rollo*.

¹⁹ *Rollo*, p. 38.

²⁰ Id. at 38–39.

²¹ Id. at 39.

²² Id. at 35–51.

WHEREFORE, finding no cogent reason to disturb the findings and conclusions reached by the First Division in the assailed Decision dated August 26, 2016 as well as in the assailed Resolution dated December 20, 2016, the same are AFFIRMED. Accordingly, the Petition for Review filed with the Court *En Banc* on February 09, 2017 *via* registered mail is DENIED for lack of merit.

SO ORDERED.²³

The Court of Tax Appeals *En Banc* agreed with the assessment of the Court of Tax Appeals First Division that while the City of Davao can levy tax on the income of banks and other financial institutions pursuant to the Local Government Code, First Meridian is outside of its reach since it is not a non-bank financial intermediary.²⁴

As the Local Government Code does not define “non-bank financial intermediary,” the Court of Tax Appeals *En Banc* based its conclusion on the National Internal Revenue Code, issuances of the Bureau of Internal Revenue, the General Banking Act, and the Manual of Regulations of Non-Bank Financial Institutions.²⁵

Further, the Court of Tax Appeals *En Banc* held that the City of Davao failed to prove that First Meridian is a non-bank financial intermediary. It is not authorized by the Bangko Sentral ng Pilipinas to perform quasi-banking activities. There is likewise no showing that First Meridian is, or holds itself out, as a non-bank financial intermediary through the performance of services enumerated in the General Banking Act and the Manual of the Bangko Sentral ng Pilipinas on a regular and recurring basis. Further, First Meridian’s Articles of Incorporation is explicit that it is a holding company.²⁶

The Court of Tax Appeals *En Banc* cited *Philippine Coconut Producers Federation, Inc. (COCOFED) v. Republic*,²⁷ where this Court held that First Meridian is one of the 14 holding companies funded by the coconut levy fund formed for the sole purpose of holding shares of stock of San Miguel Corporation. Thus, First Meridian is a holding company, which is not among the entities falling under the Local Government Code’s definition of “banks and other financial institutions.”²⁸

Considering the foregoing, the Court of Tax Appeals *En Banc* held that the City of Davao cannot make holding companies liable for local business tax, as it is only imposed upon “banks and other financial institutions.”²⁹

²³ *Id.* at 50.

²⁴ *Id.* at 39–43.

²⁵ *Id.* at 40–43.

²⁶ *Id.* at 44–45.

²⁷ 679 Phil. 508 (2012) [Per J. Velasco, *En Banc*].

²⁸ *Rollo*, p. 46.

²⁹ *Id.*

Further, the Court of Tax Appeals *En Banc* held that the City of Davao's assessment of local business tax on First Meridian was *ultra vires*. In *COCOFED*, this Court ruled that the shares of stock in San Miguel Corporation held by the 14 holding companies, including First Meridian, were owned by the government. Thus, it is beyond the scope of the City of Davao's taxing power.³⁰

The City of Davao and the City Treasurer's Office of Davao City, through Tanjili, moved for reconsideration, which the Court of Tax Appeals *En Banc* denied in its May 10, 2018 Resolution³¹ for being a reiteration of their previous arguments.³²

Undeterred, the City of Davao and the city treasurer of Davao City, then Officer-in-Charge Villa V. Dureza (Dureza), filed a Petition for Review on Certiorari before this Court.³³

In a November 21, 2018 Resolution,³⁴ this Court required respondent to file its comment on the Petition.

Respondent thereafter filed its Comment,³⁵ to which petitioners replied.³⁶

Petitioners submit that the Court of Tax Appeals *En Banc* erroneously ruled that respondent is not a non-bank financial intermediary. They cite as support the Bureau of Internal Revenue's Revenue Regulation Nos. 12-2003 and 9-2004 and the Bangko Sentral ng Pilipinas Manual of Regulations for Non-Bank Financial Institutions, which state that non-bank financial intermediaries are those entities whose principal functions include the lending, investing, or placement of funds, among others.³⁷ They juxtapose this definition with respondent's primary purpose in its Articles of Incorporation to "purchase, subscribe for, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description, which includes shares of stock . . . to receive, collect, and dispose of the interest, dividends and income arising from such property, and to possess and exercise in respect thereof[.]"³⁸ Petitioners likewise assert that respondent's actual business operation consists

³⁰ Id. at 46–50.

³¹ Id. at 53–56.

³² Id. at 55–56.

³³ Id. at 15–31.

³⁴ Id. at 79.

³⁵ Id. at 81–110.

³⁶ Id. at 124–131.

³⁷ Id. at 21–22.

³⁸ Id. at 22–23.

solely of stock investments and money placements in San Miguel Corporation, which are functions of non-bank financial intermediaries.³⁹

As to the authorization from the Bangko Sentral ng Pilipinas to perform quasi-banking activities as a non-bank financial intermediary, petitioners argue that respondent's statement in its Articles of Incorporation that "it shall not act as investment company or broker of securities"⁴⁰ shows that it never intended to secure such authority. Thus, petitioners claim that the lack of authorization should not be construed in respondent's favor. Instead, the courts should focus on the nature and substance of respondent's business operations to assess whether it is a non-bank financial intermediary.⁴¹

Even assuming that respondent is a holding company, petitioners assert that a scrutiny of the nature and business operations of a holding company is essentially the same as those of a non-bank financial intermediary. The latter's functions are to "hold assets consisting principally of debt or equity securities such as promissory notes, bills of exchange, mortgages, stocks, bonds, and commercial papers; and [r]ealize regular income in the nature of, but need not be limited to interest, discounts, capital gains, underwriting fees, guarantee fees, commissions and service fees, principally from transactions in debt or equity securities."⁴²

Petitioners maintain that while *COCOFED* concluded that respondent's assets and income are owned by the government and considered public funds, it did not expressly declare that respondent was exempt from paying local business tax. Further, Section 133(o) of the Local Government Code, which exempts the national government, its agencies and instrumentalities, and local government units from being subject to local taxes, cannot apply to respondent as it remains a private corporation.⁴³

In its Comment,⁴⁴ respondent asserts that it does not fulfill any of the requisites to be considered a non-bank financial intermediary for the following reasons: (a) it is not authorized by the Bangko Sentral ng Pilipinas to perform quasi-banking functions; (b) it does not regularly and recurrently engage in the activities defined and enumerated in the General Banking Act and in the Bangko Sentral ng Pilipinas Manual; (c) its Articles of Incorporation states that it is a holding company and that it is expressly prohibited from acting as an investment company or a securities broker or dealer, which are types of non-bank financial intermediaries; (d) it is not engaged in lending money, investing, reinvesting, or trading securities and/or foreign exchange either for its own account or for the account of others in a regular or recurring basis; (e) it is not required by the Securities and Exchange

³⁹ Id. at 25–26.

⁴⁰ Id. at 28.

⁴¹ Id. at 27–28.

⁴² Id. at 28.

⁴³ Id. at 28–30.

⁴⁴ Id. at 81–110.

Commission to secure a secondary license, nor is it regulated by the Bangko Sentral ng Pilipinas or the Insurance Commission, which is required for banks and other financial institutions; and (f) its sole purpose is to hold the San Miguel Corporation shares of stock acquired using the coconut levy funds.⁴⁵

While respondent agrees with petitioners that what should prevail in resolving this issue is the nature and substance of respondent's functions, respondent asserts that it does not engage in any business activity as the same requires regularity. Since its incorporation, respondent has only made a single and isolated transaction—the purchase of San Miguel Corporation shares using the coconut levy funds. Since then, respondent has not bought any shares of stock, either from San Miguel Corporation or any other corporation. Respondent asserts that the mere owning or holding of shares of stock, including placing dividends in trust accounts, does not make it a non-bank financial intermediary.⁴⁶

Respondent further contends that a corporation's Articles of Incorporation is the main evidence to establish its primary purpose. Thus, as respondent's primary purpose expressly prohibits it from acting as an investment company or a securities broker or dealer, which covers all kinds of non-bank financial intermediaries, it cannot be considered as such. Similarly, petitioners' assertion that respondent's primary purpose is extensive enough to cover the principal functions of a financial intermediary is a mere presumption without basis in fact and law.⁴⁷

Citing *COCOFED*, respondent maintains that the Court of Tax Appeals *En Banc* correctly concluded that it is one of the 14 holding companies funded by the coconut levy fund. Pursuant to *Michigan Holdings, Inc. v. The City Treasurer of Makati*,⁴⁸ a holding company is not among the entities considered by the Local Government Code as a "bank and other financial instruments" and thus is not subject to local business tax. Further, the primary purpose of the holding company in *Michigan Holdings* is similar to that of respondent's. In this regard, respondent claims that it should be treated in the same manner.⁴⁹

Respondent argues that the Local Government Code explicitly states that local government units cannot impose taxes on the national government, its agencies, and instrumentalities. As the San Miguel Corporation shares of stock that respondent holds and the income it receives therefrom are owned by the national government, they cannot be subject of any local tax.⁵⁰

⁴⁵ Id. at 89–93.

⁴⁶ Id. at 93–97.

⁴⁷ Id. at 96–98.

⁴⁸ G.R. 224322, March 24, 2021 [Notice, First Division].

⁴⁹ *Rollo*, pp. 98–104.

⁵⁰ Id. at 104–108.

In their Reply,⁵¹ petitioners insist that there are credible and convincing proofs that respondent is a non-bank financial intermediary: its stated primary purpose in its Articles of Incorporation; the fact that it owns, holds, and invests in San Miguel Corporation shares of stock; and that it engages in money market placements. As such, its dividends and interests can be the subject of local business tax.⁵²

Further, petitioners reiterate that *COCOFED* only declared that respondent's assets are owned by the government, but did not grant respondent any tax exemption. Neither did *COCOFED* rule that respondent was part of the national government, an agency or instrumentality thereof, or even a local government unit, which would put it beyond petitioners' taxing power.⁵³

Considering the foregoing, petitioners argue that respondent is obliged to pay the assessed local business tax.⁵⁴

The issues for this Court's resolution are:

First, whether respondent First Meridian Development, Inc. is a non-bank financial intermediary; and

Second, whether petitioner City of Davao and its city treasurer may assess local business tax against respondent First Meridian Development, Inc.

The Petition is unmeritorious.

Local government units, being merely territorial and political subdivisions of the State, do not possess the inherent power to tax.⁵⁵ The Constitution, however, consistent with the policy of local autonomy, grants each local government unit 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."⁵⁶

These guidelines and limitations are found in Republic Act No. 7160 or the Local Government Code. In reading these provisions, one must strictly

⁵¹ Id. at 124–131. While the Petition named Villa V. Dureza as the Office-in-Charge of the City Treasurer's Office of Davao City, the Reply was filed in the name of Bella Linda N. Tanjili, in her official capacity as the Officer-in-Charge of the City Treasurer's Office of Davao City.

⁵² Id. at 126–128.

⁵³ Id. at 128–130.

⁵⁴ Id. at 129–130.

⁵⁵ *Demaala v. Commission on Audit*, 754 Phil. 28, 38 (2015) [Per J. Leonen, *En Banc*].

⁵⁶ CONST., art. X, sec. 5.

construe the extent of a local government's power to tax in accordance with the principle that such power does not inhere in local government units.⁵⁷

One of the taxes that local government units may impose upon certain entities is local business tax for the privilege of doing business within their territorial jurisdictions.⁵⁸ Section 143(f) of the Local Government Code, which serves as the petitioner's basis for imposing local government tax against respondent, reads:

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

....

(f) 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 calendar year 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.

In order to be subject to local business tax under this provision, the entity must fall under the Local Government Code's definition of "business" and "banks and other financial institutions" in Section 131:

- (d) "Business" means trade or commercial activity *regularly engaged* in as a means of livelihood or with a view to profit;
- (e) "Banks and other financial institutions" include *non-bank financial intermediaries*, 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[.] (Emphasis supplied)

Thus, the assessment of local business tax 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. As such, local business tax 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."⁵⁹

The Local Government Code does not define "non-bank financial intermediaries." However, this Court harmonized the relevant provisions of

⁵⁷ *Demaala v. Commission on Audit*, 754 Phil. 28, 38 (2015) [Per J. Leonen, *En Banc*].

⁵⁸ *City of Davao v. Randy Allied Ventures, Inc.*, G.R. No. 241697, July 29, 2019 [Per J. Perlas-Bernabe, Second Division] at 4. This pinpoint citation refers to the copy of the Decision uploaded to the Supreme Court website.

⁵⁹ *Id.*, citing Section 143(f) of the Local Government Code.

the National Internal Revenue Code, banking laws, and pertinent regulations and laid down the requisites for one to be considered as such:

- a. The person or entity is authorized by the BSP to perform quasi-banking functions;
- b. The principal functions of said person or entity include the lending, investing or placement of funds or evidences of 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; and
- c. The person or entity must perform any of the following functions on a regular and recurring, not on an isolated basis, 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.⁶⁰
(Citations omitted)

In this case, petitioners assessed local business tax against the respondent on the assertion that it is a non-bank financial intermediary. The application of the above-mentioned requisites concludes otherwise.

As correctly found by both the Court of Tax Appeals *En Banc* and First Division, respondent is not authorized by the Bangko Sentral ng Pilipinas to perform quasi-banking functions.⁶¹ Respondent's Articles of Incorporation states that its primary purpose is to serve as a holding company and that it is prohibited from acting as an "investment company or a securities broker and/or dealer nor exercise the functions of a trust corporation."⁶² These functions are not considered as "lending, investing or placement of funds or evidences of indebtedness or equity."⁶³ Petitioners also failed to prove that respondent engages in these activities in derogation of the clear wording of its Articles of Incorporation. As regards the third requirement, petitioners have not shown that respondent is engaged in any of the enumerated functions on a regular and recurring manner. Respondent only entered an isolated transaction to purchase San Miguel Corporation shares of stock, and manages the dividends it receives from it. The mere placing of dividends in the market, which incidentally earns interest, does not convert an entity into an active investor or dealer in securities.⁶⁴ Clearly, respondent does not meet the requisites to be considered as a non-bank financial intermediary.

⁶⁰ Id. at 4-5.

⁶¹ *Rollo*, p. 44.

⁶² Id. at 45.

⁶³ *City of Davao v. Randy Allied Ventures, Inc.*, G.R. No. 241697, July 29, 2019 [Per J. Perlas-Bernabe, Second Division] at 4. This pinpoint citation refers to the copy of the Decision uploaded to the Supreme Court website.

⁶⁴ *City of Davao v. ARC Investors, Inc.*, G.R. No. 249668, July 13, 2022 [J. Inting, Third Division] at 9. This pinpoint citation refers to the copy of the Resolution uploaded to the Supreme Court website.

Further, this Court's finding in *COCOFED* places respondent even farther out of petitioners' reach.

In *COCOFED*, this Court expressly held that respondent is one of the 14 coconut industry investment fund holding companies and, as such, respondent, as well as its San Miguel Corporation shares of stock and their dividends, are "owned by the government to be used only for the benefit of all coconut farmers and for the development of the coconut industry."⁶⁵

Thus, in the succeeding cases of *City of Davao v. Randy Allied Ventures*,⁶⁶ *City of Davao v. AP Holdings, Inc.*,⁶⁷ *City of Davao v. Toda Holdings, Inc.*,⁶⁸ *City of Davao v. Fernandez Holdings, Inc.*,⁶⁹ and *City of Davao v. ARC Investors, Inc.*,⁷⁰ this Court consistently concluded that the 14 coconut industry investment fund holding companies are not liable for local business tax as they are not considered as non-bank financial intermediaries.

In *Randy Allied Ventures*, this Court explained that while holding companies may engage in investment activities, the same is insufficient to be considered as doing business as a bank or other financial institutions:

Thus, RAVI's management of the dividends from the SMC preferred shares, including placing the same in a trust account yielding interest, is not tantamount to doing business whether as a bank or other financial institution, *i.e.*, [a non-bank financial intermediary], but rather an activity that is essential to its nature as a [coconut industry investment fund] holding company.

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." 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. 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.

To be sure, RAVI's act of placing the dividends from the SMC preferred shares in a trust account, which incidentally earns interest, does not convert it into an active investor or dealer in securities. As above-stated,

⁶⁵ 679 Phil. 508, 639 (2012) [Per J. Velasco, *En Banc*].

⁶⁶ G.R. No. 241697, July 29, 2019 [Per J. Perlas-Bernabe, Second Division].

⁶⁷ G.R. No. 245887, January 22, 2020 [Per J. Lazaro-Javier, First Division].

⁶⁸ G.R. No. 248167, June 30, 2020 [Notice, First Division].

⁶⁹ G.R. No. 248820, July 7, 2021 [Notice, Third Division].

⁷⁰ G.R. No. 249668, July 13, 2022 [J. Inting, Third Division].

the primary test is regularity of function, not on an isolated basis, with the end in mind for self-profit. Being restricted to managing the dividends of the SMC preferred shares on behalf of the government, RAVI cannot be said to be “doing business” as a bank or other financial institution, *i.e.*, an NBFI.

Moreover, while RAVI’s stated primary purpose in its AOI is couched in broad terms as to allow some functions similar to an NBFI, this does not necessarily mean it is engaged in the same business. Verily, the “power to purchase and sell real and personal property, including shares,” and “to receive dividends thereon,” are common provisions to all corporations,” including holding companies like RAVI which undertake investments. The mere fact that a holding company makes investments does not *ipso facto* convert it to an NBFI. Otherwise, there would be absolutely no distinction between a mere holding company and financial intermediaries.⁷¹ (Citations omitted, emphasis in the original)

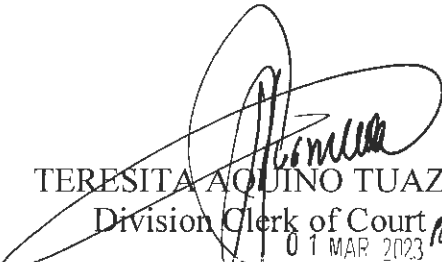
Thus, respondent, similar to the other 14 coconut industry investment fund holding companies, is not a non-bank financial intermediary. Respondent is not regularly engaged in the lending, investing, reinvesting, or placing of funds for the purpose of owning profit. Instead, it manages the dividends from the San Miguel Corporation shares of stock it receives from its sole and isolated transaction since its incorporation—the precise function of a holding company.

Having established that respondent is not a non-bank financial intermediary, petitioner cannot hold respondent liable for the assessed local business tax pursuant to Section 143(f) of the Local Government Code. This finding, however, is without prejudice to respondent’s potential liability for other taxes if it engages in profit-making activities other than the management of the San Miguel Corporation shares of stock and their dividends.⁷²

FOR THESE REASONS, the Petition is **DENIED**. The assailed December 18, 2017 Decision and May 10, 2018 Resolution of the Court of Tax Appeals *En Banc* in CTA EB No. 1590 are **AFFIRMED**. The local business tax assessed against First Meridian Development, Inc. for the third and fourth quarters of taxable year 2011 in the amount of PHP 907,083.10 is **CANCELLED** and **SET ASIDE**.

SO ORDERED.”

By authority of the Court:


TERESITA AQUINO TUAZON
Division Clerk of Court
01 MAR 2023

⁷¹ G.R. No. 241697, July 29, 2019 [Per J. Perlas-Bernabe, Second Division] at 5–6. This pinpoint citation refers to the copy of the Decision uploaded to the Supreme Court website.

⁷² *Id.*

Resolution

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G.R. No. 240078
October 19, 2022

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