

****Title: City of Davao & Bella Linda N. Tanjili v. Randy Allied Ventures, Inc.****

****Facts:****

Randy Allied Ventures, Inc. (RAVI) is part of the Coconut Industry Investment Fund (CIIF) holding companies established to manage shares in San Miguel Corporation (SMC). Following the Supreme Court's decision in the COCOFED case on January 24, 2012, CIIF companies, including RAVI, and their shares, were deemed public funds owned by the government.

In January 2013, RAVI filed for a refund or credit of Local Business Taxes (LBT) from the City of Davao for the taxable year 2010, amounting to P503,346.00, arguing that these were wrongfully collected under the mistaken belief that RAVI functioned as a non-bank financial intermediary (NBFI).

The City of Davao contended that RAVI's activities, primarily owning shares and receiving dividends and interest income, classify it as an NBFI, thereby subject to LBT under Section 143(f) of the Local Government Code (LGC).

On June 22, 2015, the RTC denied RAVI's claim, holding that RAVI's income sources were mainly from dividends and interests that are central to its business purposes, thus subjecting it to LBT. RAVI appealed to the Court of Tax Appeals (CTA) First Division.

On August 9, 2016, the CTA First Division ruled in favor of RAVI, declaring it a holding company, not an NBFI. A subsequent motion for reconsideration by the petitioners was denied on December 15, 2016. The petitioners then appealed to the CTA En Banc (EB).

The CTA EB, in its decision on February 20, 2018, upheld the CTA First Division's ruling, confirming that RAVI was not an NBFI as it did not meet the requirements under relevant laws and regulations for such a designation. A motion for reconsideration was denied by the CTA EB on July 25, 2018, leading the petitioners to bring the matter before the Supreme Court.

****Issues:****

1. Whether RAVI qualifies as a non-bank financial intermediary (NBFI) subject to local business tax (LBT) under Section 143(f) of the Local Government Code.
2. Whether the dividends and interest managed by RAVI are liable for LBT.

Court's Decision:

The Supreme Court found that the petition was without merit.

1. **NBFI Classification**: The Court reaffirmed that RAVI does not qualify as an NBFI. To classify an entity as an NBFI under Section 143(f) of the LGC, several criteria must be met, including authorization by the Bangko Sentral ng Pilipinas (BSP) to perform quasi-banking functions; primarily engaging in lending, investing, or placement of funds on a regular and recurring basis. RAVI did not fulfill these requirements. The COCOFED case confirmed that RAVI's assets were public funds and RAVI was a CIIF holding company, managing dividends from SMC shares, hence not conducting regular financial intermediary activities.

2. **Primary Purpose and Activities**: The Court emphasized that RAVI's primary activity was managing SMC dividends on behalf of the government. This activity did not equate to performing financial intermediary functions or doing business normally subjected to LBT. The dividends and interests managed by RAVI are incidental to its role as a holding company and not its main business focus.

Doctrine:

The case affirms that holding companies managing public funds, such as CIIF entities, cannot be classified as NBFIs subject to LBT under local tax codes if they do not satisfy the criteria for financial intermediary activities. Thus, RAVI's income from dividends and interest, linked to public funds, is not subjected to local business taxes.

Class Notes:

- **Holding Company vs. NBFI**:
- **Holding Company**: Invests in equity securities of other companies for control, not active business operations.
- **NBFI Requirements**: Authorization from the BSP, principal activities involving lending/investment regularly and not incidentally.
- **Local Business Tax (LBT)**: Section 143(f) of the LGC applies to banks and other financial institutions engaged in specified financial activities.
- **Public vs. Private Funds**: Entities managing public assets for government purposes are not performing commercial activities for profit and are exempt from LBT.

Historical Background:

The CIIF and its entities, like RAVI, were created to manage funds from the coconut levy intended for the development of the coconut industry and benefit of coconut farmers. This case enforces the principle that public funds and their management fall under government jurisdiction and are not subject to local business taxation typically levied on private commercial enterprises. The landmark ruling in the COCOFED case laid the groundwork, establishing the public character of CIIF funds and assets, pivotal in contextually understanding RAVI's tax liability status.