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TAX LAW FOR BUSINESS

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Situs of local taxes in case of boundary dispute

Every prudent business owner would know that securing a mayor's permit is a prerequisite to carry on a business within a particular locality. Different cities and municipalities will have their own procedures for the issuance of such permits, but they all require renewal on or before January 20 of every year. Renewal shall, likewise, be accompanied by the payment of local business taxes to the local government unit (LGU) where the business is being conducted. But, to which LGU should business taxes be paid in case there is a boundary dispute between LGUs covering the property where one's business is being conducted?

Similar to the boundary dispute involving Makati City and Taguig City over the coveted Bonifacio Global City, a boundary dispute had previously arisen between Pasig City and Cainta. Such Pasig-Cainta boundary dispute had already settled the question above posed. In the Supreme Court case of *Municipality of Cainta v. City of Pasig* (GR 176703 and 176721), Uniwide stopped paying local business taxes to Pasig City and started paying such taxes to Cainta, when the latter filed a petition with the regional trial court for the settlement of a boundary dispute with Pasig City. The boundary dispute covered the property owned by Uniwide where its business was being conducted. Because Uniwide stopped paying local business taxes to it, Pasig City filed a collection case against it.

Uniwide, in turn, included Cainta in the collection case, asking for reimbursement of the taxes paid to it, in the event that the court holds that the taxes should be paid to Pasig. In determining which LGU is entitled to the local business taxes of Uniwide, the Supreme Court ruled that the same should be paid to the LGU that has jurisdiction over the location where the taxpayer's business is conducted. In the said case, the local business taxes of Uniwide should have been paid to Pasig City, since the properties of Uniwide are covered by titles, which show on their face that they are situated in the said city.

A taxpayer, such as Uniwide, should be able to rely on what is stated in the title over its properties considering that a certificate of title is conclusive not only of ownership of the land but also its location. And, without any court order directing the amendment of the subject titles with regard to the location stated therein, the location stated in the titles are presumed correct and subsisting for the purpose of determining which LGU has taxing jurisdiction over the subject properties. This is in line with the rules and regulations implementing the Local Government Code, which states that in case of a boundary dispute, the status of the affected area prior to the dispute shall be maintained and continued for all purposes.

What then happens to the payments made by Uniwide to Cainta? The Supreme Court ordered Cainta to return the taxes erroneously paid to it by Uniwide. In turn, Uniwide must pay Pasig City the local business taxes it failed to pay, from the time of nonpayment until present.

A taxpayer is thus free to rely on his or her title, without regard to any extraneous boundary dispute occurring between LGUs. What is indicated in one's title should hold since title over property is indefeasible, and the location stated therein should be followed until amended through proper judicial proceedings.

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