

Title:

Commissioner of Internal Revenue v. Nippon Express (Phils.) Corporation: A Case on Refund of Unutilized Input Value-Added Tax

Facts:

Nippon Express (Phils.) Corporation (Nippon) is a domestic corporation engaged in freight forwarding and a Value-Added Tax (VAT) registered entity. Nippon filed its quarterly VAT returns for the year 2002 and subsequently claimed an unutilized input VAT due to zero-rated sales amounting to P24,644,506.86. An administrative claim for this refund was filed with the Bureau of Internal Revenue (BIR) on April 22, 2004, followed by a judicial claim filed with the Court of Tax Appeals (CTA) on April 23, 2004, docketed as CTA Case No. 6967.

The Commissioner of Internal Revenue (CIR) opposed, arguing that the claimed input VAT was not properly documented. The CTA Division partially granted Nippon's claim on August 10, 2011, ordering the CIR to issue a tax credit certificate for P2,614,296.84 instead of the full amount claimed.

Prior to receiving the decision, Nippon moved to withdraw the petition as the BIR issued a tax credit certificate of P21,675,128.91 on July 27, 2011. CIR filed a comment/opposition to the motion to withdraw and moved for reconsideration of the decision. The CTA Division granted the motion to withdraw, closing the case.

Dissatisfied, the CIR appealed to the CTA En Banc, which affirmed the CTA Division's resolution. After a denied motion for partial reconsideration by the CTA En Banc, the CIR filed the present petition for review with the Supreme Court.

Issues:

1. Whether the CTA erred in granting Nippon's motion to withdraw despite the existence of a final decision.
2. Whether the existence and the amount of the July 27, 2011 Tax Credit Certificate by the BIR are valid and operative factors in resolving Nippon's motion to withdraw.
3. Whether the government or the CIR can be estopped by a tax credit certificate issued by the BIR to Nippon.

Court's Decision:

The Supreme Court granted the petition, setting aside the decisions of the CTA En Banc. It held that the CTA committed reversible error in allowing the withdrawal of Nippon's appeal

considering:

- The appellate jurisdiction continues until the case is terminated, and unilateral withdrawal is not permissible post-adjudication.
- The massive discrepancy between the BIR's tax credit certificate and the CTA Division's computed refundable amount raised a red flag, indicating potential prejudice to the government.
- The government is not estopped by errors committed by its agents, such as an incorrect tax credit certificate.
- Nippon's administrative claim for the refund of the input VAT for the first quarter of 2002 was time-barred per Section 112(A) of the National Internal Revenue Code (NIRC) of 1997.

Doctrine:

Withdrawal of appeals post-adjudication should only be allowed in exceptional circumstances to prevent prejudice to the government and serve public interest. The government is not estopped from its right to collect accurate tax assessments due to the errors of its agents.

Class Notes:

- Jurisdiction once acquired continues until a case has been terminated (*Reyes v. Commission on Elections*).
- The issuance of a tax credit certificate by BIR subordinates does not estop the government from questioning it, particularly on matters of taxation (*Visayas Geothermal Power Company v. CIR*).
- Timeliness of claims for tax refund or credit is governed by a two-year prescriptive period from the close of the taxable quarter when the sales were made per Section 112(A) of the NIRC of 1997.

Historical Background:

The case is illustrative of the legal process for claiming tax refunds or credits in the Philippines, centering on the proper procedures and substantiation required for such claims, the role of the CIR in contesting administrative findings of its subordinates and the supervisory jurisdiction of the CTA. With VAT being a significant aspect of the Philippine tax system, the case also reflects the intricate balance between taxpayer rights for due refunds and the government's interest in safeguarding public funds.