

Title:

Commissioner of Internal Revenue v. Semirara Mining Corporation

Facts:

Semirara Mining Corporation (SMC), a non-VAT enterprise engaged in coal mining, had been exempt from VAT on coal sales to the National Power Corporation (NPC) under Presidential Decree (PD) No. 972, the Coal Development Act of 1976. However, NPC began withholding a 5% final withholding VAT from SMC beginning July 1, 2005, due to the implementation of Republic Act (RA) No. 9337, amending the National Internal Revenue Code (NIRC).

SMC obtained a BIR ruling that reaffirmed its VAT exemption status and subsequently filed for a refund or issuance of a tax credit certificate with the BIR for the VAT withheld by NPC totaling P77,253,245.39 for the period covering July 1, 2006, to December 31, 2006. With the CIR's inaction on the administrative claims, SMC filed petitions for review with the CTA Division.

The CTA Division ruled in favor of SMC, granting the refund claim, which was affirmed by the CTA En Banc upon the CIR's appeal. The CIR moved to the Supreme Court via a petition for review, raising issues concerning SMC's VAT exemption and the adequacy of submitted supporting documents for the refund claim.

Issues:

1. Whether SMC is entitled to VAT exemption for its coal sales.
2. Whether SMC's failure to submit requisite documents, as prescribed by RMO No. 53-98, to the BIR is fatal to its tax credit/refund claim.

Court's Decision:

The Court ruled that:

1. SMC's claim for VAT exemption is anchored on the tax incentives granted under PD No. 972, specifically the exemption from all taxes except for income tax afforded to operators of coal operating contracts. Thus, the VAT exemptions under PD No. 972 were not repealed by RA No. 9337. RA No. 9337 did not revoke the VAT exemption, expressly or impliedly
2. Non-submission of documents as per RMO No. 53-98 does not nullify SMC's administrative claim for a tax refund. This RMO refers to an internal guide for BIR officers, not mandatory requirements for taxpayers. The CTA is governed by the Rules of Court, which allowed it to evaluate the evidence presented by SMC and affirm the refund claim.

Signature to the ruling were Justice Caguioa, C.J. Sereno (Chairperson), and Associate Justices Leonardo-De Castro, Bersamin, and Perlas-Bernabe.

Doctrine:

- VAT exemptions granted under PD No. 972 were not repealed by RA No. 9337.
- Non-submission of the documents listed in RMO No. 53-98 at the administrative level is not fatal to a judicial claim for VAT refund.

Class Notes:

- Essential elements:
 - Validity of VAT exemption under special laws (PD No. 972).
 - Properly filed administrative and judicial claims for tax refund.
 - Non-applicability of RMO No. 53-98 as a requirement for judicial claims.
- Relevant legal statutes:
 - Presidential Decree (PD) No. 972, particularly Section 16(a).
 - National Internal Revenue Code (NIRC) as amended by Republic Act (RA) No. 9337, particularly Section 109(K).

Historical Background:

This case is significant in understanding the interplay between tax exemptions under special laws and the general tax laws as amended. The relevance of PD No. 972 in affording VAT exemption to entities operating under coal operating contracts highlights the continuity of certain tax incentives despite amendments to wider tax legislation, preserving the incentives meant to encourage activities like coal mining deemed beneficial to the national interest.