

Title: Commissioner of Internal Revenue vs. The Hon. Court of Appeals, R.O.H. Auto Products Philippines, Inc., and The Hon. Court of Tax Appeals

Facts:

R.O.H. Auto Products Philippines, Inc. availed itself of the one-time tax amnesty declared under Executive Order No. 41 for unpaid income taxes from 1981 to 1985. The company filed its Tax Amnesty Return along with the Supplemental Tax Amnesty Return and paid the corresponding amnesty taxes due. Before availing of the amnesty, the Commissioner of Internal Revenue had assessed the company for deficiency income and business taxes for fiscal years ending in September 1981 and 1982, amounting to P1,410,157.71. R.O.H. Auto Products argued that the assessment should be cancelled due to their availment of the tax amnesty. However, the Commissioner denied the request based on Revenue Memorandum Order No. 4-87, which limited the amnesty's coverage to assessments made after the Executive Order's promulgation.

R.O.H. Auto Products appealed to the Court of Tax Appeals, which ruled in favor of the taxpayer. The Court of Appeals later affirmed this decision, leading the Commissioner of Internal Revenue to elevate the case to the Supreme Court.

Issues:

1. Validity of Revenue Memorandum Order No. 4-87 in relation to Executive Order No. 41.
2. Whether the deficiency assessments were extinguished by the taxpayer's availment of the tax amnesty under Executive Order No. 41.
3. Whether the taxpayer has overcome the presumption of validity of assessments.

Court's Decision:

The Supreme Court affirmed the decisions of both the Court of Tax Appeals and the Court of Appeals. It held that Executive Order No. 41 clearly intended to provide a broad tax amnesty, applying to all unpaid taxes from 1981 to 1985, without explicitly excluding pre-promulgation assessments from its coverage. The Court also upheld the principle that administrative issuances must not override but remain consistent with the law they seek to apply. Additionally, it confirmed that by complying fully with the amnesty's conditions, a taxpayer enjoys immunity from tax liabilities within the specified period, including the extinguishment of civil, criminal, or administrative liabilities arising from non-payment.

Doctrine:

Administrative rules and regulations must not override but must remain consistent with the

law they seek to apply and implement. A tax amnesty, being a general pardon or intentional overlooking by the State of its authority to impose penalties, partakes of an absolute forgiveness or waiver by the Government of its right to collect what otherwise would be due it and extinguishes civil, criminal, or administrative liabilities arising from non-payment of the said tax for the period covered by the amnesty.

Class Notes:

- **Tax Amnesty:** A legal provision forgiving taxpayers for unpaid taxes during a specified period, relieving them from tax liabilities and providing immunity from civil, criminal, or administrative penalties.
- **Legal Issuances Consistency:** Administrative rules and regulations should be consistent with and not override the law they seek to apply.
- **Presumption of Validity:** Tax assessments by the Commissioner are presumed valid, but this presumption can be overcome by proper availing of tax amnesty provisions.

Historical Background:

Executive Order No. 41 was promulgated in 1986, during a period of transition following the People Power Revolution in the Philippines. Recognizing the calls for reform and reconciliation, the new government provided a broad amnesty for unpaid taxes from 1981 to 1985, aimed at allowing taxpayers to regularize their tax status with the state. This move was part of broader efforts to restore confidence in the government and its tax administration.