

Title: Commissioner of Internal Revenue vs. De La Salle University, Inc.

Facts:

De La Salle University, Inc. (DLSU), a non-stock, non-profit educational institution, faced tax assessments from the Bureau of Internal Revenue (BIR) for allegedly owed deficiency income tax, value-added tax (VAT), and documentary stamp tax (DST) for fiscal years 2001, 2002, and 2003. The assessments were based on rental earnings from campus-based commercial establishments and on certain loan and lease contracts. DLSU contested these assessments, invoking its constitutional exemption from taxes and duties for revenues and assets used directly, actually, and exclusively for educational purposes. The case went through various levels of tax adjudication, eventually reaching the Supreme Court.

Issues:

1. Whether DLSU's income and revenues used for educational purposes are exempt from taxes and duties.
2. The validity of the Letter of Authority (LOA) issued to DLSU, covering Fiscal Year Ending 2003 and Unverified Prior Years.
3. The admissibility and consideration of DLSU's supplemental evidence in tax court.
4. The proper taxable base for deficiency income tax and VAT for taxable year 2003.

Court's Decision:

The Supreme Court partly granted DLSU's petition. It held that:

1. Revenues and assets of non-stock, non-profit educational institutions proved to have been used actually, directly, and exclusively for educational purposes are exempt from duties and taxes.
2. The Letter of Authority (LOA) was partially valid; the assessment for taxable year 2003 stood, while the assessments for 2001 and 2002 were void due to specificity issues in the LOA.
3. The Court of Tax Appeals (CTA) correctly admitted DLSU's supplemental evidence.
4. The tax court's appreciation of evidence was generally upheld, but the Court found that the CTA incorrectly computed DLSU's tax liabilities for taxable year 2003 and adjusted the deficiency taxes due accordingly.

Doctrine:

This case reiterated the doctrine that under Article XIV, Section 4(3) of the 1987 Constitution, revenues and assets of non-stock, non-profit educational institutions, when proven to be used actually, directly, and exclusively for educational purposes, are exempt

from taxes and duties.

Class Notes:

1. Constitutional Tax Exemption: Article XIV, Section 4(3) of the 1987 Constitution exempts from taxes and duties the revenues and assets of non-stock, non-profit educational institutions used actually, directly, and exclusively for educational purposes.
2. Letter of Authority (LOA): A LOA for tax audit should specify the taxable period covered, with extensions to additional taxable years requiring explicit enumeration.
3. Secondary Evidence: In tax proceedings, when original documents are unavailable, secondary evidence can be admissible, provided the proponent proves the execution or existence of the original documents, the cause of their unavailability, and the lack of bad faith.
4. Evidence Evaluation by the CTA: The Supreme Court typically defers to the CTA's factual findings unless there is a clear showing of an oversight of relevant facts that, if considered, would lead to a different conclusion.

Historical Background:

The case exemplifies the balancing act between the constitutional privilege extended to educational institutions and the state's power to tax. The controversy arose from evolving interpretations of tax laws and the Constitution, highlighting the dynamics between tax administration and the fostering of educational development through tax exemptions. The specific context of this dispute reflects broader issues about the scope of tax exemptions and the procedures for their claim and assessment, significant in the evolution of Philippine tax law and policy as applied to the educational sector.