

Title: Commissioner of Internal Revenue vs. San Roque Power Corporation et al.

Facts:

The detailed facts revolve around the claims for tax refund or tax credit filed by San Roque Power Corporation, Taganito Mining Corporation, and Philex Mining Corporation with the Bureau of Internal Revenue (BIR) and the subsequent filing of their petitions for review with the Court of Tax Appeals (CTA) due to the BIR's inaction. Central to the controversy is BIR Ruling No. DA-489-03 dated 10 December 2003, issued by Deputy Commissioner Jose Mario C. Buñag, which allowed the filing of a judicial claim with the CTA even before the expiration of the 120-day period provided for the Commissioner of Internal Revenue to decide on a taxpayer's claim for a refund or tax credit.

Philex, San Roque, and Taganito each filed for VAT refund claims, all invoking the BIR ruling allowing for the premature filing of a judicial claim for tax credit or refund. Their claims were rejected on different grounds including the prematurity of their judicial claims. The cases eventually reached the Supreme Court for final resolution.

Issues:

1. Whether the 120 + 30-day periods for the Commissioner to decide on a claim and for the taxpayer to appeal to the CTA are mandatory and jurisdictional.
2. Whether BIR Ruling No. DA-489-03 can be relied upon by taxpayers to justify the filing of judicial claims for refunds or tax credits before the lapse of the 120-day period.
3. Whether the principle of operative fact can be applied to the claims filed in reliance on BIR Ruling No. DA-489-03.

Court's Decision:

The Supreme Court denied both motions for reconsideration, reaffirming its decision that the 120+30 day periods are indeed mandatory and jurisdictional. It clarified that a mere administrative practice, which is neither law nor an executive issuance, does not justify non-compliance to the expressed periods within the law for filing a refund or tax credit. It deemed BIR Ruling No. DA-489-03 as void, emphasizing that any ruling or practice that contravenes the law cannot be given effect.

The Court clarified that the doctrine of operative fact does not apply to mere administrative practices not formalized into rules or rulings and further held that since there was no law or executive issuance declared invalid except BIR Ruling No. DA-489-03, taxpayers could rely on this specific ruling in good faith from its issuance until it was effectively nullified by the

Court's final decision in Aichi.

Doctrine:

The 120+30 day periods provided in Section 112(C) of the National Internal Revenue Code are mandatory and jurisdictional. Compliance with these periods is a precondition for a taxpayer to file a judicial claim for a tax refund or credit with the CTA. Moreover, the principle of operative fact does not apply to mere administrative practices but to actual laws or executive issuances that have been declared invalid, and taxpayers may only rely on a BIR ruling from its issuance until its invalidation by the Court.

Class Notes:

- The 120+30 day periods under Section 112(C) of the National Internal Revenue Code are essential requirements for the filing of judicial claims for tax refunds or credits, highlighting the importance of procedural compliance in tax litigation.
- Administrative practices or BIR rulings contrary to the law do not provide a legal basis for the exercise of a right or the performance of an obligation under the tax code; only formalized rules or rulings can be relied upon in good faith until annulled.
- The doctrine of operative fact applies to laws or executive issuances that have been invalidated, acknowledging the effects of the invalidated act prior to its nullification, within specified bounds.

Historical Background:

This case underscores the intricate balance between strict adherence to statutory requirements and the reliance on administrative issuances by taxpayers. It illustrates the evolving interpretation of tax laws and regulations by both the administrative bodies charged with their implementation and the judiciary tasked with resolving disputes arising from these laws. The decision reaffirms the primacy of the law over administrative convenience or practice, setting a clear precedent on the mandatory nature of stated periods within tax statutes and the limits of reliance on BIR rulings contrary to the letter of the law.