

### Title: Dumaguete Cathedral Credit Cooperative vs. Commissioner of Internal Revenue

### Facts:

Dumaguete Cathedral Credit Cooperative (DCCCO), a registered credit cooperative, faced an assessment from the Bureau of Internal Revenue (BIR) for deficiency withholding taxes on interest from savings and time deposits of its members for the years 1999 and 2000. The BIR's audit, initiated via Letters of Authority, eventually led to Pre-Assessment Notices, which DCCCO partially contested, agreeing only to pay certain non-contested deficiencies while protesting others. Despite availing of the Voluntary Assessment and Abatement Program for some taxes, DCCCO received Letters of Demand from the BIR demanding payment for the contested deficiencies. Subsequent appeals to the Commissioner of Internal Revenue and legal actions at the Court of Tax Appeals (CTA) led to partial victories for DCCCO, but the core issue regarding the withholding taxes on interests remained unresolved, culminating in a Supreme Court appeal.

### Issues:

1. Whether DCCCO is liable to pay deficiency withholding taxes on interest from savings and time deposits of its members for the years 1999 and 2000.
2. Whether the imposition of a 20% delinquency interest per annum is valid.
3. The application of the preferential tax treatment for cooperatives and their members under the Cooperative Code and the BIR's own ruling.

### Court's Decision:

The Supreme Court ruled in favor of DCCCO, highlighting the preferential tax treatment conferred to cooperatives and their members under the Cooperative Code and supported by consistent BIR rulings. It emphasized that the economic activities between members and the cooperative should not be treated as regular taxable transactions since they aim to foster economic development and social justice, as outlined by the cooperative's objectives and in congruence with the Constitution and legislative intent.

### Doctrine:

The judicial decision reinforced the principle that cooperatives and their transactions with members enjoy preferential tax treatment, aligning with the policy objectives of the State to promote and support the cooperative movement for economic development and social justice. It established that the BIR rulings exempting cooperatives from certain withholding tax obligations have legal basis and must be respected, promoting a more enabling environment for cooperatives to operate and contribute to national development goals.

### Class Notes:

- **Preferential Tax Treatment for Cooperatives:** Cooperatives and their members' transactions are granted preferential tax treatment under Philippine law to support their role in national economic development and social justice.
- **Legal Maxims and Interpretative Principles:** The court utilizes principles of statutory construction and deference to administrative interpretations when these do not conflict with legislative intent. The principle "Ubi lex non distinguit nec nos distinguere debemos" was discussed but not applied as intended by the respondent due to the specific legislative policies favoring cooperatives.
- **Legislative Intent and Administrative Interpretations:** Administrative interpretations (e.g., BIR rulings) that are consistent with legislative intent and the spirit of the law may guide judicial decisions, especially when reinforced by specific legislative provisions in subsequent laws or amendments.

### Historical Background:

This case underscores the continued tension between the government's power to tax and its policy to foster the development of cooperatives as instruments for economic development and social justice. The Cooperative Code of the Philippines, as amended, reflects a legislative intent to encourage and protect cooperatives through various incentives, including tax exemptions and preferential treatments. This decision affirms the precedence of these policy objectives over broad interpretations of taxation laws that might undermine the cooperative movement's growth and contribution to societal goals.