

Title:

BPI Leasing Corporation vs. The Honorable Court of Appeals, Court of Tax Appeal and Commissioner of Internal Revenue

Facts:

BPI Leasing Corporation (BLC), a corporation engaged in leasing properties, paid a 4% “contractor’s percentage tax” amounting to P1,139,041.49 for the calendar year 1986 on its gross rentals of P27,783,725.42 from equipment leasing. Following the issuance of Revenue Regulation 19-86 by the CIR on November 10, 1986, which subjected finance and leasing companies registered under RA 5980 to a gross receipt tax instead of the contractor’s percentage tax, BLC recalculated its tax liabilities, determining a payable amount of P361,924.44. Consequently, on April 11, 1988, BLC filed a claim for a refund of P777,117.05 for the overpaid tax with the CIR, followed by a petition for review with the CTA four days later to preempt the prescriptive period’s expiration. The CTA denied the refund on the basis that Revenue Regulation 19-86 is applicable only to leases written on or after January 1, 1987. BLC’s motion for reconsideration was denied by the CTA, and its subsequent appeal to the Court of Appeals resulted in an affirmation of the CTA’s decision. BLC then filed the present petition for review on certiorari with the Supreme Court.

Issues:

1. Whether the petition substantially complies with Supreme Court Circular 28-91.
2. The nature (legislative or interpretative) of Revenue Regulation 19-86, as amended.
3. Whether Revenue Regulation 19-86, as amended, should be applied prospectively or retroactively.
4. Whether BLC met the required evidence standard for refund cases as found by the Court of Appeals.
5. Whether BLC is estopped from claiming its refund.

Court’s Decision:

The Supreme Court denied the petition for review, upholding the decision of the Court of Appeals:

- The Court agreed with the respondents regarding the non-compliance with Supreme Court Circular 28-91 due to the improper certification of non-forum shopping by BLC’s counsel.
- The Court found Revenue Regulation 19-86 to be legislative in nature, as it was issued pursuant to the NIRC to provide specifics for the law’s enforcement, not merely to interpret the law.
- The Court determined that Revenue Regulation 19-86 should be applied prospectively, as

explicitly stated in its provisions, thereby precluding its retroactive application to BLC's case.

- The Court did not find it necessary to rule on whether BLC met the evidence standard for refund cases or whether BLC is estopped from claiming the refund due to the resolution of other issues.

Doctrine:

- Revenue Regulation 19-86 is legislative in nature and operates prospectively unless explicitly stated otherwise.

- Tax refunds are in the nature of tax exemptions and are strictly construed against the claimant, who bears the burden of proof.

Class Notes:

- ****Compliance with Supreme Court Circulars****: Certifications of non-forum shopping must be signed by a party or its properly authorized representative, not merely by counsel, unless specifically authorized.

- ****Legislative vs. Interpretative Regulations****: Determines the nature of administrative issuances and their application; legislative regulations have the force of law and typically require adherence to procedural formalities including notice and hearing for validity.

- ****Prospective Application of Legal Provisions****: Legal and administrative provisions typically apply to future actions unless retroactivity is explicitly provided for.

- ****Tax Refunds as Exemptions****: Strict interpretation against the claimant; burden of proof lies with the claimant.

Historical Background:

In the context of the Philippine legal and taxation system, the case illustrates the evolving regulatory framework governing tax liabilities of leasing and finance companies. The issuance of Revenue Regulation 19-86 marked a significant shift in the taxation approach from a contractor's percentage tax to a gross receipt tax model for entities registered under Republic Act 5980. This case underscores the judiciary's role in interpreting such regulatory changes and the importance of adherence to procedural formalities both by the regulatory agencies and the entities subject to regulation.