

**\*\*Title:\*\*** Surigao Consolidated Mining Co., Inc. v. Collector of Internal Revenue and Court of Tax Appeals

**\*\*Facts:\*\***

Surigao Consolidated Mining Company, herein referred to as Surigao Consolidated, a domestic corporation operating mining concessions in Mainit, Surigao, faced difficulties with its ad valorem tax payments due to World War II. Before the war, Surigao Consolidated routinely filed returns and paid ad valorem taxes for minerals mined each quarter. The outbreak of World War II interrupted communications, leading the company to miss receiving production reports for Q4 of 1941. To avoid penalties, it deposited P27,000 as an approximate payment for the ad valorem taxes for that period on January 19, 1942.

Post-war, Commonwealth Act No. 722 allowed businesses to file returns and pay ad valorem taxes for the period of the last quarter of 1941 to December 31, 1945, extending the deadline to February 28, 1946. Surigao Consolidated availed of this, filing returns which declared an ad valorem tax liability of P43,486.54 for Q4 1941, later amending this to P37,189.00, and after crediting the earlier deposit, paid the balance. Following further adjustments and smelter returns, Surigao Consolidated sought refunds totaling P17,051.14 for alleged overpayments and taxes on minerals lost due to the war or looted during the Japanese occupation. The Collector of Internal Revenue denied the refund requests, leading Surigao Consolidated to file a civil action, which eventually was heard by the newly created Court of Tax Appeals, following the enactment of Republic Act No. 1125. The Court of Tax Appeals denied the refund claims, prompting Surigao Consolidated to petition for a review by the Supreme Court.

**\*\*Issues:\*\***

1. Whether Surigao Consolidated is entitled to a refund of the ad valorem taxes paid, specifically in relation to minerals lost in transit due to the war, minerals allegedly looted during the Japanese occupation, and alleged overpayments of ad valorem tax on minerals shipped to the United States.

**\*\*Court's Decision:\*\***

The Supreme Court affirmed the decision of the Court of Tax Appeals, concluding that Surigao Consolidated was not entitled to the refund for any of the itemized claims. The Court reasoned that the law concerning tax condonation (Republic Act No. 81) only referred to unpaid taxes, not providing for refunds of taxes already paid. Additionally, the Court found Surigao Consolidated's evidence insufficient to evidence the claim of minerals lost in

transit or looted. On the claim of overpayment due to adjustments based on smelter returns, the Court held that Surigao Consolidated failed to produce these returns as evidence during the trial, resulting in a presumption that their production would have been adverse to the petitioner's claim.

**\*\*Doctrine:\*\***

The Supreme Court elucidated that the condonation of tax liabilities is comparable to a tax exemption and must be explicitly stated in the law to be valid. Furthermore, it reaffirmed the principle that in a suit for recovery of taxes claimed to have been erroneously or illegally collected, the burden of proof lies with the taxpayer to establish the facts justifying such a claim.

**\*\*Class Notes:\*\***

- Tax Condonation: Equivalent to tax exemption and must be expressed in explicit terms.
- Burden of Proof: In tax refund cases, the taxpayer must prove the illegality or error in the tax collection.
- Evidence Requirement: The best evidence must be presented, and failure to produce such evidence can lead to presumptions against the party required to provide it.

**\*\*Historical Background:\*\***

This case highlights the complexities and challenges of tax administration and compliance in post-war Philippines, demonstrating the impact of major historical events on business operations and legal proceedings. The enactment of Commonwealth Act No. 722 and Republic Act No. 1125, which respectively addressed tax payments post World War II and established the Court of Tax Appeals, are indicative of legislative efforts to address the legal and economic aftermath of the war. This case is situated within the broader context of the rebuilding period, emphasizing the legal intricacies involved in the recovery process.