

### Title:

United International Pictures AB vs. Commissioner of Internal Revenue: A Case on Tax Overpayment and Carry-Over Credits

### Facts:

United International Pictures AB (UIP), the petitioner, filed its Annual Income Tax Return for 1998, showing a net taxable income of P24,961,200.00 and an excess income tax payment of P4,325,152.00. Opting to carry over the excess tax to the following year, UIP marked the relevant option box on the return form. In 1999, UIP filed another Annual Income Tax Return reporting a taxable income of P7,071,651.00, an income tax due of P2,333,645.00, and an excess income tax payment of P9,309,292.00, including the carried-over amount from 1998. This time, UIP opted for a refund.

Subsequently, UIP filed an administrative claim for the refund with the Bureau of Internal Revenue (BIR), which remained unacted upon until UIP filed a petition for review with the Court of Tax Appeals (CTA) to toll the prescriptive period. The CTA denied the claim for the 1998 refund, citing the irrevocable option to carry-over but granted a partial refund for 1999, which both parties challenged via motions for reconsideration that were denied. The case escalated to the Court of Appeals (CA), which annulled the CTA's decision, denying UIP's claim based on insufficient proof of entitlement to the refund. UIP then appealed to the Supreme Court.

### Issues:

1. Whether UIP is perpetually barred from refunding its tax overpayment for the taxable year 1998 due to its option to carry over the excess tax.
2. Whether UIP has proven its entitlement to the refund for the taxable years 1998 and 1999.

### Court's Decision:

The Supreme Court denied UIP's petition. For the first issue, the Court upheld the provision under Section 76 of the National Internal Revenue Code (NIRC) of 1997, stating that once the option to carry-over is exercised, it becomes irrevocable for that taxable period, thus precluding any claim for a refund of the excess income tax payment for 1998. The Court clarified the meaning of "taxable period" and its implications, emphasizing the irrevocability of the option to carry over.

For the second issue, the Court agreed with the CA and respondent that UIP failed to

substantiate its claim for a refund for the taxable year 1999. The discrepancies between the income payments in the income tax return and the certificate of creditable tax withheld were not reconciled, which was crucial for verifying the claim.

**### Doctrine:**

This case reiterates the doctrine that once a taxpayer opts to carry over its excess quarterly income tax for a taxable period, such option is considered irrevocable, precluding any subsequent claims for refunds or tax credits for that particular excess payment. Furthermore, taxpayers claiming refunds for excess creditable withholding taxes must strictly comply with requirements, including reconciling any discrepancies between reported incomes and withholding tax certificates.

**### Class Notes:**

- The irrevocable nature of the option to carry over excess tax credits as outlined in Section 76 of the NIRC of 1997.
- Importance of strict compliance with documentary evidence in substantiating claims for tax refunds, especially the need to reconcile any discrepancies between income tax return figures and withholding tax certificates.
- Key statutory provision: Section 229 of the NIRC of 1997, governing the recovery of taxes erroneously or illegally collected.

**### Historical Background:**

This case exemplifies the detailed procedural journey of tax disputes in the Philippines, starting from administrative claims with the BIR to appeals within the judiciary, demonstrating the legal principles governing tax overpayments and the strict interpretations of options available to taxpayers regarding their excess tax payments.