

**\*\*Title:\*\*** Bank of the Philippine Islands vs. Commissioner of Internal Revenue: A case on the Prescription of the Period for Collection of Deficiency Documentary Stamp Tax

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

Bank of the Philippine Islands (BPI) sold a total of US \$1,000,000 to the Central Bank of the Philippines on two separate occasions in June 1985. By October 1989, the Bureau of Internal Revenue (BIR) assessed BPI for a deficiency documentary stamp tax (DST) of P28,020.00 for the year 1985. BPI protested this assessment, arguing the Central Bank, as the buyer and being tax-exempt, should shoulder the DST. BPI's protest initiated a prolonged process involving failed collections (Warrant of Distraint and/or Levy issued by BIR in October 1992) and substantial delays in responses from the BIR (the BIR's denial of the protest was finally sent in August 1997). BPI filed a Petition for Review with the Court of Tax Appeals (CTA) on 10 October 1997, raising also the defense of prescription. The CTA, in February 1999, found that the DST for the sales was not subjected due to the Central Bank's tax exemption during the relevant period but discussed the issue of prescription without resolution. The Court of Appeals reversed the CTA's decision, reinstating the BIR's assessment. BPI escalated the matter to the Supreme Court of the Philippines.

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

1. Whether the BIR's right to collect the assessed deficiency DST had prescribed.
2. The applicability of DST on BPI's sale of foreign currency to the Central Bank.

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

The Supreme Court granted BPI's petition. It ruled that the statute of limitations for the collection of the deficiency DST had prescribed. The Supreme Court disagreed with the lower courts' finding that the filing of a protest by BPI suspended the running of the prescriptive period; it clarified that only a request for reinvestigation granted by the BIR commissioner could suspend the prescriptive period. Furthermore, the Court noted that BPI's protest was more of a request for reconsideration, which does not suspend the statute of limitations.

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

1. The statute of limitations for the collection of national internal revenue taxes may be suspended under specific circumstances outlined in the Tax Code, one of which is a request for reinvestigation granted by the BIR Commissioner. Mere requests for reconsideration, without submission of new evidence, do not suspend the statute of limitations.
2. The principle of estoppel may prevent a taxpayer from raising the defense of prescription

under certain conditions, such as when the taxpayer's actions have caused the BIR to delay the collection of assessed taxes.

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

- The distinction between a request for reconsideration and a request for reinvestigation is crucial in tax law, specifically in determining the suspension of the statute of limitations for tax assessments and collections.
- The principle of estoppel can be applied against taxpayers who, through their actions, have caused government agencies to delay the enforcement of tax liabilities.
- Tax statutes of limitations are designed both to prompt the government to act swiftly in its assessments and collections and to provide taxpayers certainty and protection against prolonged exposure to potential tax liabilities.

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

The case reflects the complexities and the potential for protracted litigation inherent in the assessment and collection of taxes in the Philippines. It underscores the taxpayer's responsibility to challenge tax assessments promptly and the importance of the Bureau of Internal Revenue (BIR) in adhering to prescribed periods for action to safeguard the interests of both the government and taxpayers. The case also elucidates the jurisprudential guidelines on the application and interpretation of the statute of limitations in tax collection, alongside the conceptual nuances distinguishing requests for reconsideration from requests for reinvestigation, and their implications on the prescriptive periods for tax collection.