

Title: ****Commissioner of Internal Revenue vs. Standard Chartered Bank: A Case of Statutory Prescription and Invalid Waivers****

Facts:

Standard Chartered Bank (the respondent) faced a Formal Letter of Demand and Assessment Notices from the Commissioner of Internal Revenue (the petitioner) dated 24 June 2004 for alleged tax deficiencies for the taxable year 1998 totaling approximately P33.33 million. The respondent protested these assessments on 12 August 2004. With no action taken on its protest, the respondent filed a Petition for Review at the Court of Tax Appeals (CTA) on 9 March 2005. Additional motions and supplemental petitions were later filed, including a payment of partial deficiencies, which led to the revised contested amount to approximately P33.08 million.

Proceeding through the legal process, the CTA in Division and subsequently, the CTA En Banc, found in favor of the respondent. The CTA ruled that the assessments were invalid as they were issued beyond the statutory period for tax assessment and collection provided under the National Internal Revenue Code (NIRC) of 1997, due to non-compliance with the mandatory requirements under Revenue Memorandum Order (RMO) No. 20-90 concerning waivers to the statute of limitations on tax assessments.

Issues:

1. Whether the petitioner's right to assess the respondent for deficiency taxes for the year 1998 had already prescribed under Section 203 of the NIRC of 1997, due to failure to comply with the requirements under RMO No. 20-90.
2. Assuming prescription had occurred, whether the respondent is estopped from questioning the validity of the waivers due to partial payments made on the deficiency taxes.

Court's Decision:

The Supreme Court denied the petition and upheld the decision of the CTA En Banc. It ruled that the assessments against the respondent were indeed barred by prescription as the waivers executed did not strictly comply with RMO No. 20-90, thus invalidating any extension to the period of assessment beyond the three-year statutory limit. Furthermore, the Court found no merit in the argument that the respondent was estopped from questioning the validity of the waivers solely due to its partial payments on some of the deficiency taxes.

Doctrine:

This case reiterated the doctrine that waivers to the statute of limitations on the assessment and collection of taxes must strictly comply with the procedural requirements set out under RMO No. 20-90. Failure to adhere to these requirements renders such waivers invalid and ineffective in extending the statutory period for tax assessments.

Class Notes:

- **Statute of Limitations**: Internal revenue taxes must be assessed within three years after the filing of a return (NIRC of 1997, Sec. 203).
- **Waivers of the Statute of Limitations**: To extend the period for assessing taxes, a valid waiver must be executed in compliance with RMO No. 20-90. Key elements for a valid waiver include proper form, duly notarization, taxpayer's and CIR's signatures, indication of the acceptance date by the BIR, and execution before the expiry of the original prescriptive period.
- **Doctrine of Estoppel in Tax Assessments**: Partial payments of assessed taxes do not necessarily estop a taxpayer from contesting the validity of tax assessments based on prescription or invalid waivers.

Historical Background:

This case underscored the importance of following procedural requirements for waivers of the statute of limitations in tax assessments. It reflects on the broader legal principle that tax administration must adhere to prescribed procedures to safeguard the interests of both the government and taxpayers.