

Title:

St. Mary's Academy of Caloocan City Inc. vs. Commissioner of Internal Revenue and Others

Facts:

In July 2013, the Commissioner of Internal Revenue, Kim S. Jacinto-Henares, issued Revenue Memorandum Order No. 20-2013 (RMO No. 20-2013) to provide guidelines on the processing of tax exemption applications. This was followed by Revenue Memorandum Circular No. 52-2013 (RMC No. 52-2013) in August 2013, clarifying the validity of receipts or invoices printed before January 18, 2013. St. Mary's Academy of Caloocan City, a non-stock, non-profit educational institution, was informed by the Revenue District Officer that its receipts would be invalidated and was advised to apply for new authority to print receipts or face penalties. St. Mary's Academy contested this requirement, arguing that their tax-exempt status precluded them from such regulations.

The academy initiated a legal challenge against the Commissioner of Internal Revenue, the Regional Director, and the Revenue District Officer by filing a Petition for Injunction and Prohibition at the Regional Trial Court of Quezon City. The academy contended that RMO No. 20-2013 and RMC No. 52-2013 were unconstitutional and illegal as they applied to non-stock, non-profit educational institutions.

The Regional Trial Court initially granted a preliminary injunction against the enforcement of the said revenue orders concerning the academy. On October 10, 2014, the court declared RMO No. 20-2013 unconstitutional and RMC No. 52-2013 illegal for non-stock, non-profit educational institutions. This decision was appealed to the Court of Appeals by the respondents.

The Court of Appeals granted the appeal and set aside the Regional Trial Court's orders, dismissing St. Mary's Academy's petition on procedural grounds, emphasizing that the regular courts do not have jurisdiction over issues concerning the validity of administrative tax issuances—a matter that should be decided by the Court of Tax Appeals.

Issues:

1. Whether the Regional Trial Court has jurisdiction to rule on the constitutionality and validity of the Commissioner of Internal Revenue's administrative issuances.
2. Whether RMO No. 20-2013 and RMC No. 52-2013 are constitutional and valid.

Court's Decision:

The Supreme Court ruled:

1. The Regional Trial Court does not have jurisdiction over the case as it pertains to the validity or constitutionality of the Commissioner of Internal Revenue's administrative issuances, which should be reviewed by the Court of Tax Appeals.
2. Consequently, the Regional Trial Court's orders were declared void for lack of jurisdiction, and the Supreme Court did not pass judgment on the constitutionality or validity of RMO No. 20-2013 and RMC No. 52-2013.

Doctrine:

The Supreme Court reiterated that the Court of Tax Appeals, not the regional trial courts, has jurisdiction to rule on the constitutionality and validity of revenue issuances by the Commissioner of Internal Revenue. This is grounded in the provisions of Republic Act No. 1125, as amended by Republic Act No. 9282.

Class Notes:

- ****Jurisdiction of the Court of Tax Appeals****: The Court of Tax Appeals exclusively reviews decisions, orders, or rulings of the Commissioner of Internal Revenue concerning disputed assessments, refunds, fees, penalties, and other matters under the National Internal Revenue Code or related laws.
- ****Tax Exemption of Non-stock, Non-profit Educational Institutions****: Non-stock, non-profit educational institutions may claim tax exemption status, but any change in regulations affecting such status should be contested through appropriate courts with jurisdiction, namely the Court of Tax Appeals.

Historical Background:

The case underscores the ongoing challenges faced by non-stock, non-profit educational institutions in maintaining their tax-exempt status amidst changing regulatory frameworks. It also highlights the procedural aspect of jurisdiction, reminding litigants to seek relief through appropriate legal venues based on the nature of the issues involved.