

Title:

****San Roque Power Corporation v. Commissioner of Internal Revenue: A Landmark Decision on VAT Refund Claims and the Application of the 120-day Period****

Facts:

The case revolves around San Roque Power Corporation's (hereinafter "San Roque") petitions for the refund or issuance of tax credit certificates concerning its unused input VAT for the year 2004. Initially, San Roque filed administrative claims with the Bureau of Internal Revenue (BIR) on December 22, 2005, and February 27, 2006, for the first quarter and the remainder of the year, respectively. Following the BIR's inaction, San Roque proceeded to file petitions for review with the Court of Tax Appeals (CTA) on March 30, 2006, and June 20, 2006, arguing unaddressed claims within the prescribed 120-day period by the BIR. The CTA Second Division partially granted San Roque's claim, which prompted the Commissioner of Internal Revenue (CIR) to elevate the matter to the CTA En Banc. The CTA En Banc dismissed the petitions on the grounds of prematurity, citing the mandatory 120-day waiting period necessitated by the National Internal Revenue Code (NIRC) before judicial recourse.

Issues:

1. Whether the simultaneous filing of both administrative and judicial claims for a VAT refund/credit under Section 112(D) of the NIRC, without waiting for the expiration of the 120-day period for the Commissioner to act on the administrative claim, is permissible.
2. Whether the Aichi principle, establishing the mandatory and jurisdictional nature of the 120-day period, applies retroactively to claims filed prior to the promulgation of the Aichi decision.
3. Whether taxpayers can rely on BIR Ruling DA-489-03 as an exception to the mandatory and jurisdictional nature of the 120-day period in VAT refund claims.

Court's Decision:

The Supreme Court ruled in favor of San Roque, highlighting that there was no established precedence before the Aichi decision that allowed for the simultaneous filing of administrative and judicial VAT refund claims within the two-year prescriptive period without adhering to the 120-day waiting period. However, recognizing an exception for taxpayers who relied on BIR Ruling DA-489-03, the Court ruled that such claims filed between December 10, 2003, and October 6, 2010, did not need to wait for the 120-day period. Consequently, San Roque's petitions, filed within this window period, were improperly dismissed by the CTA En Banc on the grounds of prematurity. Thus, the petitions

were granted, and the CTA's prior decision was reversed and set aside, reinstating the CTA Division's earlier partial grant of the refund claims.

Doctrine:

The Supreme Court reiterated the mandatory and jurisdictional nature of the 120-day period for the Commissioner of Internal Revenue to act on a VAT refund claim, as established in the Aichi decision. An exception to this rule applies to taxpayers who relied in good faith on BIR Ruling DA-489-03 from its issuance until the Aichi decision was rendered, allowing for the filing of judicial claims without waiting for the lapse of the 120-day period.

Class Notes:

- **Mandatory 120-day Period**: The 120-day period within which the CIR must act on a VAT refund application is mandatory and jurisdictional.
- **Exception via BIR Ruling DA-489-03**: Taxpayers who filed their judicial claims relying on BIR Ruling DA-489-03 from December 10, 2003, to October 6, 2010, are exempt from waiting for the 120-day period before seeking judicial relief.
- **Equitable Estoppel under Section 246 of the NIRC**: The doctrine prevents the BIR from retracting interpretations or rulings that taxpayers have relied upon in good faith, to their detriment.
- **Jurisprudential Stability**: Decisions of the Supreme Court form part of the legal system and are to be followed pursuant to Article 8 of the Civil Code, while the Court of Tax Appeals' decisions do not establish binding legal precedents.

Historical Background:

The crux of this decision addresses the evolving interpretation and application of the VAT refund provisions in the NIRC, particularly focusing on the procedural aspects of claiming refunds/credits for unused input VAT. The ruling underscores the importance of adhering to procedural timelines established by law and clarifies the jurisprudence surrounding the exceptions to these procedures, particularly in light of past BIR rulings and their impact on taxpayer rights and expectations.