

Title:

****Harte-Hanks Philippines, Inc. vs. Commissioner of Internal Revenue****

Facts:

Harte-Hanks Philippines, Inc. (petitioner) is a corporation in the Philippines engaged in outsourcing customer relationship management solutions. On March 23, 2010, it filed an application for a refund or tax credit of excess and unutilized input value-added tax (VAT) for the first to second quarters of 2008, amounting to PHP 5,471,506.55, with the Commissioner of Internal Revenue (CIR, respondent). Receiving no action from the CIR, the petitioner filed a petition for review with the Court of Tax Appeals (CTA) Second Division on June 29, 2010, for the second quarter of 2008 amounting to PHP 2,535,459.48. The CIR responded by alleging procedural deficiencies and arguing against the refund.

On June 1, 2011, the CTA Second Division dismissed the petition for premature filing, citing non-compliance with the mandatory “120-30” day period under Section 112 (C) of the NIRC of 1997. The dismissal was based on the procedural ground that the petitioner should have waited for 120 days after filing its administrative claim before seeking judicial recourse. The petitioner’s motion for reconsideration was denied on July 27, 2011.

The petitioner then elevated the matter to the CTA En Banc, which on August 16, 2012, affirmed the CTA Second Division’s resolutions, leading to the final denial of the motion for reconsideration on December 11, 2012. The case was thereafter brought to the Supreme Court for review.

Issues:

1. Whether the premature filing of the judicial claim constitutes a mere failure to state a cause of action or affects jurisdiction.
2. Whether the CIR waived the right to raise the defense of failure to state a cause of action.
3. The applicability of the ruling in the Aichi case vis-à-vis the Atlas case concerning the filing of VAT refund claims.
4. The reconciliation of Sections 112 and 229 of the Tax Code.
5. Interpretation of regulatory issuances relating to the filing period for judicial claims for VAT refunds.
6. The prospective application of the Aichi case ruling.

Court’s Decision:

The Supreme Court granted the petition for review. It emphasized that the general rule for

filing a judicial appeal requiring observance of the 120 and 30-day periods must be strictly followed, as laid out in Section 112 (C) of the Tax Code. However, the Court recognized an exception during the period from December 10, 2003, to October 6, 2010, based on BIR Ruling No. DA-489-03, which allowed a taxpayer to seek judicial recourse without having to wait for the lapse of the 120-day period after filing the administrative claim. The petitioner's judicial claim filed within this "window period" was therefore deemed timely. Concluding that the CTA erred in its dismissal, the Supreme Court reversed and set aside the decisions of the CTA En Banc.

Doctrine:

This case reinforces the principle that taxpayers must adhere to the procedural timelines set forth in the Tax Code for filing refund claims. However, it also establishes an exception for claims filed during the window period from December 10, 2003, to October 6, 2010, where taxpayers were allowed to seek judicial relief without waiting for the 120-day period based on BIR Ruling No. DA-489-03.

Class Notes:

- **VAT Refund Claims**: Taxpayers seeking VAT refunds must generally observe the "120+30 day periods" mandated by Section 112 (C) of the 1997 Tax Code, indicating the procedural steps for appealing to the Court of Tax Appeals (CTA).
- **Exception Window Period**: BIR Ruling No. DA-489-03 permitted taxpayers to bypass the 120-day waiting period for CIR action, effective from December 10, 2003, to October 6, 2010.
- **Jurisdiction and Premature Filing**: Jurisdiction over VAT refund claims hinges on adherence to procedural timelines, though exceptions apply as influenced by interpretive BIR rulings and specific Court pronouncements.

Historical Background:

The decision contextualizes the ongoing interpretation and application of the Tax Code concerning VAT refund or credit claims. It illustrates the evolving jurisprudence on when and how taxpayers can seek recourse from the judiciary for tax refunds, emphasizing the role of BIR rulings and Supreme Court decrees in shaping procedural requirements and exceptions.