

Title: Commissioner of Internal Revenue vs. Taganito Mining Corporation

Facts:

Taganito Mining Corporation (TMC) is a corporation primarily engaged in the production and export of various ores. It is a VAT-registered entity and recognized as an exporter by the Board of Investments (BOI). In 2008, TMC exported all its ores and claimed it generated no domestic sales. On December 1, 2009, TMC filed a claim for the refund of excess input VAT paid within 2008, totaling P42,038,669.54, with the Bureau of Internal Revenue (BIR). The claim was rooted in its zero-rated sales for the calendar year. When the BIR did not act on this claim, TMC proceeded to file a petition for review with the Court of Tax Appeals (CTA) on April 21, 2010, fearing the expiration of the two-year prescriptive period for filing such a claim.

During the CTA proceedings, the CTA Division partially granted TMC's petition, substantiating the majority of TMC's claim but highlighting the need to amortize the input VAT on capital goods purchases exceeding P1 Million in cost. Eventually, the CTA En Banc affirmed the CTA Division's decision, prompting both the Commissioner of Internal Revenue (CIR) and TMC to elevate the case to the Supreme Court (SC) through separate petitions for review.

Issues:

1. Whether TMC timely filed its judicial claim with the CTA.
2. Whether the amortization of input VAT on capital goods attributable to TMC's zero-rated sales was correctly applied.

Court's Decision:

The Supreme Court affirmed the decisions of the CTA En Banc and the CTA Division, denying both petitions for review filed by the CIR and TMC. It ruled that TMC timely filed its judicial claim, having done so within the period allowed after the BIR did not act on its administrative claim. On the issue of amortization, the Court held that TMC's input VAT on depreciable capital goods exceeding P1 Million in one calendar month should indeed be amortized, consistent with Section 110(A) of the National Internal Revenue Code (NIRC) of 1997, as amended.

Doctrine:

The Supreme Court reiterated the rules concerning the prescriptive periods for VAT refund or credit claims, emphasizing that the administrative claim must be filed within two years

from the close of the taxable quarter when the sales were made. The Court also upheld the legal basis for the amortization of the input VAT on depreciable capital goods, with the aggregate acquisition cost exceeding P1 Million in a calendar month, aligning with the tax credit method principle in VAT implementation.

Class Notes:

1. Taxation Law: Claims for VAT refund or credit must observe the prescribed procedural timelines. Administrative claims must be filed within two years from the close of the taxable quarter when zero-rated or effectively zero-rated sales were made.
2. Input VAT attributable to zero-rated sales is subject to certain conditions for refund or credit, including the necessity for amortization when pertaining to capital goods exceeding P1 Million in aggregate acquisition cost within a calendar month.
3. The Court distinguishes between “creditable input tax” for general transactions and “input tax credit” attributable specifically to zero-rated sales, emphasizing that both follow the tax credit method but may have different impacts when claimed for refund or credit.

Historical Background:

The case highlights the procedural complexities and substantive rules concerning VAT refund claims in the Philippines, particularly for entities engaged in export or zero-rated transactions. The evolving jurisprudence on tax refund or credit, including the requirements for timely filing and substantiation of claims, reflects the balance between facilitating business operations and ensuring the proper collection and administration of taxes. This case also underscores the judicial deference to administrative regulations and the tax authority’s role in interpreting tax laws, within the bounds set by legislation.