

### Title: University Physicians Services Inc.-Management, Inc. v. Commissioner of Internal Revenue

### Facts:

University Physicians Services Inc.-Management, Inc. (UPSI-MI), a corporation in the Philippines, filed its Annual Income Tax Return (ITR) for the year ending December 31, 2006, indicating an overpayment of PHP 5,159,341.00. This overpayment was carried over as “Prior Year’s Excess Credit” in its subsequent Annual ITR for the short period ending March 31, 2007. However, an amendment to this return excluded the amount of PHP 5,159,341.00 from the “Prior Year’s Excess Credits.” On October 10, 2008, UPSI-MI filed a claim for a refund and/or issuance of a Tax Credit Certificate (TCC) in the amount of PHP 2,927,834.00, which represented the excess and unutilized creditable withholding taxes for 2006. The Commissioner of Internal Revenue did not act upon this claim, prompting UPSI-MI to file a Petition for Review with the Court of Tax Appeals (CTA) on April 14, 2009.

### Procedural Posture:

The CTA Division denied the petition, deciding that UPSI-MI had chosen the carry-over option, which under Section 76 of the National Internal Revenue Code (NIRC) of 1997, is irrevocable, precluding a later request for refund or TCC. UPSI-MI’s appeal to the CTA En Banc was similarly denied, affirming the decision of the CTA Division on the ground that the irrevocability rule barred UPSI-MI from claiming a refund. UPSI-MI then appealed to the Supreme Court.

### Issues:

1. Whether the irrevocability rule under Section 76 of the NIRC exclusively applies to the carry-over option, thus, allowing for a change of option to claim a cash refund or the issuance of a TCC.
2. Whether UPSI-MI’s amendment of its ITR to exclude the excess credit and its initial election for a TCC can override its subsequent constructive exercise of the carry-over option.

### Court’s Decision:

The Supreme Court affirmed the decision of the CTA, holding that the irrevocability rule exclusively applies to the carry-over option. This means once a taxpayer opts for the carry-

over of its excess creditable tax, it cannot later decide to claim a refund or a TCC for the same amount. In UPSI-MI's case, having reflected the carry-over in its amended ITR for the fiscal year ended March 31, 2007, it was deemed to have constructively chosen the carry-over option, making it irrevocable and precluding the possibility of claiming a refund or a TCC.

### ### Doctrine:

The irrevocability rule under Section 76 of the NIRC clearly applies only to the carry-over option. Once a taxpayer elects to carry over its excess creditable taxes to subsequent taxable periods, this choice becomes irrevocable, and the taxpayer is barred from later claiming a cash refund or issuance of a tax credit certificate for the same amount.

### ### Class Notes:

#### Key Concepts:

- **\*\*Irrevocability Rule\*\***: Under Section 76 of the NIRC, the option to carry over excess creditable taxes to subsequent taxable periods is irrevocable, preventing any claim for refund or issuance of a TCC once this option is exercised.
- **\*\*Tax Credit vs. Refund\*\***: Taxpayers have the option to claim a tax refund or to carry over excess creditable taxes. Choosing one precludes the option for the other.
- **\*\*Section 76 of the NIRC\*\***: Governs the final adjustment return of corporations, providing options for handling excess tax payments including the irrevocability of the carry-over option.
- **\*\*Procedural Posture in Tax Disputes\*\***: The decision outlines the steps an aggrieved taxpayer must take when contesting the Commissioner's inaction on tax refund claims, from the CTA Division to the CTA En Banc, and finally, the Supreme Court.

### ### Historical Background:

This case provides insight into the application and interpretation of the tax law concerning the treatment of overpaid income taxes by corporations. It also exemplifies the judicial process in tax disputes in the Philippines, demonstrating the thorough review mechanism from administrative claims to the highest court's interpretation of tax laws and regulations.