

****Title:** Commissioner of Internal Revenue vs. Bases Conversion and Development Authority: A Case on Tax Exemption for Government Property Sales**

****Facts:**** This case involves the Bases Conversion and Development Authority (BCDA), which owned four real properties in Bonifacio Global City, Taguig City. BCDA entered into a contract to sell these properties to the Net Group, an unincorporated joint venture, for Php2,032,749,327.96. The Net Group withheld Php101,637,466.40 as Creditable Tax Withheld (CWT) at source due to BCDA's failure to present a certification of tax exemption. Subsequently, the Net Group remitted this amount to the BIR. BCDA sought a refund for this amount, claiming tax exemption under its charter, RA 7227 as amended by RA 7917, but the CIR did not respond to its refund request. BCDA then petitioned the Court of Tax Appeals (CTA) for a refund. The CTA First Division granted BCDA's claim, a decision affirmed by the CTA En Banc upon appeal by the CIR. The CIR further escalated the matter to the Supreme Court.

****Issues:****

1. Whether BCDA is exempt from Creditable Withholding Tax (CWT) on the sale of its properties in Global City under its charter, RA 7227, as amended by RA 7917.
2. Whether RA 7227, as a special law, was superseded by the National Internal Revenue Code (NIRC) of 1997 as a general law.
3. Whether the procedural and documentary requirements for tax refund claims apply to BCDA for the taxes withheld on the sale of the specified properties.

****Court's Decision:****

The Supreme Court denied the petition filed by the Commissioner of Internal Revenue (CIR) and affirmed the CTA En Banc's decision granting BCDA's claim for a tax refund. The Court ruled that BCDA is indeed exempt from CWT on the sale of its Global City properties, pursuant to Section 8 of its charter, RA 7227 as amended by RA 7917. It further clarified that RA 7227, being a special law specifically providing for BCDA's tax exemptions, was not repealed nor superseded by the general provisions of the NIRC of 1997.

The Court reasoned that the proceeds from the sale of the specified properties are deemed appropriated by law for specific public purposes and should not be diminished by taxes or fees. This exemption is consistent with the intention of Congress to expedite the conversion of former military bases for economic development.

****Doctrine:**** The doctrine established in this case is that specific tax exemptions granted to

government-owned or controlled corporations under their respective charters or special laws are not repealed by the subsequent enactment of general tax laws unless an express repeal or modification is provided. Additionally, the sale proceeds of government properties specified under a special law, appropriated for particular purposes, are exempt from taxes and fees.

****Class Notes:****

- ****Special Law vs. General Law:**** When a special law and a general law clash, the special law typically prevails unless an express repeal is stated, demonstrating the legislative intent to override the special law.
- ****Tax Exemption Eligibility:**** Entities may be exempt from taxes if their governing charter or a specific law explicitly grants such exemptions, underscoring the importance of the legislative intent behind tax laws.
- ****Government-Owned Corporations:**** Government-owned or controlled corporations may possess distinct tax treatments based on their enabling laws or special provisions affecting their operations and transactions.
- ****Appropriation by Law for Specific Purposes:**** Funds or proceeds appropriated by law for specific public purposes are protected from being diminished by taxes or fees, reflecting a prioritization of the intended use of these funds for public benefit.

****Historical Background:**** This case provides insight into the Philippines' legal framework surrounding tax exemptions for government transactions, especially in the unique context of converting military bases into civilian use under the Bases Conversion and Development Authority (BCDA). The decision underscores the Court's role in interpreting legislation concerning tax exemptions, illustrating the delicate balance between statutory interpretation and the overarching principles of taxation.