

Title:

City Treasurer of Manila v. Philippine Beverage Partners, Inc. (substituted by Coca-Cola Bottlers Philippines)

Facts:

On January 17, 2007, the City Treasurer of Manila issued a Statement of Account under Bill No. 012007-33025 to the Philippine Beverage Partners, Inc. (PBPI), indicating a liability of P2,930,239.82 in local business taxes and regulatory fees for the first quarter of 2007.

PBPI protested the assessment on January 19, 2007, via letter, arguing that Tax Ordinance Nos. 7988 and 8011 amending the Revenue Code of Manila (RCM) had been declared void and that the assessment under Section 21 constituted double taxation alongside Section 14 of the RCM. On January 22, 2007, PBPI tendered a payment of P506,080.89 for the dues, but the City Treasurer denied the protest on February 2, 2007, citing no legal ground.

PBPI paid the total assessed amount on February 13, 2007, and filed a formal claim for refund of P2,424,158.93 on March 2, 2007. Subsequently, PBPI filed a complaint for the revision of the SOA and refund or credit in the Regional Trial Court (RTC) of Manila, Branch 47, on March 8, 2007.

Procedural Posture:

RTC ruled in favor of PBPI on November 18, 2013, ordering the City of Manila to refund P2,424,158.93, concluding that PBPI was already taxed under Section 14 of the RCM, and thus not subject to tax under Section 21. The court noted that PBPI filed for refund within the prescribed two-year period.

The City Treasurer's motion for reconsideration was denied on July 4, 2014. The City Treasurer then elevated the case to the Court of Tax Appeals (CTA) Second Division, which affirmed the RTC ruling on May 8, 2015, holding that PBPI met the requirements for the refund.

A subsequent motion for reconsideration was denied on July 20, 2015, leading the City Treasurer to appeal further to the CTA En Banc, which sustained the Second Division's ruling on December 22, 2016. A final motion for reconsideration was denied on June 13, 2017, prompting the City Treasurer to file a Petition for Review on Certiorari in the Supreme Court of the Philippines.

Issues:

1. Whether a taxpayer who protested an assessment may later institute a judicial action for a refund.
2. Whether the alleged deficiency taxes of PBPI for 2006 and 2007 may offset its claim for a refund.

Court's Decision:

Issue 1: Judicial Action for Refund after Protest

The Supreme Court upheld that, following the case of *City of Manila v. Cosmos Bottling Corporation*, a taxpayer facing an assessment has two options under Sections 195 and 196 of the Local Government Code (LGC):

1. Protest the assessment with the local treasurer and, if denied, appeal to the court.
2. Pay the assessed tax and then file a refund claim if it is believed that the tax was erroneously or illegally collected.

Since PBPI first protested the assessment and later paid the assessed fee, it was justified to institute a judicial action for a refund after the tax payment once the protest was denied. The law provides that the written protest is an administrative remedy, and filing for a refund must meet the two-year prescriptive period.

Issue 2: Offset of Deficiency Taxes

The Supreme Court ruled that the City Treasurer cannot unilaterally collect deficiency taxes for different periods by raising it in a refund action without issuing a proper notice of assessment, as due process requires the taxpayer to be officially informed of such liabilities.

Doctrine:

1. ****Taxpayer's Remedies****: Under Sections 195 and 196 of the LGC, a taxpayer can either protest an assessment and appeal upon denial or non-response or pay the tax and file a suit for a refund on the basis of erroneous or illegal collection.
2. ****Due Process in Tax Collection****: Deficiency taxes require issuance of an assessment notice, ensuring taxpayers are informed and can contest such liabilities appropriately.

Class Notes:

1. ****Protest and Refund Mechanism****: Taxpayers can protest an incorrect assessment under Section 195 or file a refund claim under Section 196 LGC. Both sections entail different procedural steps but can complement each other in certain circumstances.
2. ****Two-Year Prescription Period****: Any refund claim must be filed with the local treasurer within two years from the date of tax payment to be valid.

3. **Notice of Assessment Requirement**: Tax authorities must issue a proper assessment notice for due process before any tax deficiency can be collected.

Historical Background:

This case falls within the Philippine legal system's focus on taxpayer rights and local government code compliance. It reinforces historical efforts to balance the need for tax collection by local government units with due process rights of taxpayers, emphasizing fair notice and procedural justice in tax disputes.

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References:

- Sections 195 and 196 of the Local Government Code
- Supreme Court jurisprudence on procedural matters regarding tax assessments and refunds.