

Commissioner of Internal Revenue vs. Hambrecht & Quist Philippines, Inc.

G.R. No. 174851, August 3, 2011, 649 Phil. 446

Facts:

1. **February 15, 1993:** Hambrecht & Quist Philippines, Inc. (H&Q) notified the Bureau of Internal Revenue (BIR) about their change of business address. The notification was received by the BIR on February 18, 1993.
2. **November 4, 1993:** H&Q received a follow-up letter from the BIR dated October 11, 1993, demanding payment for alleged deficiency income and expanded withholding taxes for the year 1989 totaling PHP 2,936,560.87.
3. **December 3, 1993:** H&Q filed a protest letter against the alleged deficiency tax assessments through its external auditors.
4. **November 7, 2001 (nearly 8 years later):** H&Q's external auditors received a letter from the Commissioner of Internal Revenue (CIR) dated October 27, 2001, denying their protest on the grounds that it was filed beyond the 30-day reglementary period under Section 229 of the National Internal Revenue Code.
5. **December 6, 2001:** H&Q filed a Petition for Review with the Court of Tax Appeals (CTA), docketed as CTA Case No. 6362.

Procedural Posture:

1. **CTA Original Division:**
 - **September 24, 2004:** The CTA ruled that while the assessment notice sent on January 8, 1993, was valid, the CIR failed to collect the taxes within the prescriptive period. Consequently, the assessment was canceled.
 - **October 14, 2004, and November 22, 2004:** CIR's motions for reconsideration were denied.
2. **CTA En Banc:**
 - **August 12, 2005:** The CTA En Banc upheld the Original Division's decision, affirming the cancellation of the assessment for deficiency income and expanded withholding taxes.
3. **Supreme Court:**
 - **Petitioner's Issues:** CIR questioned the jurisdiction of the CTA and argued that the

period to collect the assessment had not prescribed.

Issues:

1. **Whether the CTA had jurisdiction to rule that the government's right to collect the tax had prescribed despite the assessment becoming final and unappealable.**
2. **Whether the period for the CIR to collect the assessment had prescribed.**

Court's Decision:

1. **Jurisdiction of the CTA:**

- The Supreme Court confirmed that the CTA had jurisdiction over issues of prescription of the BIR's right to collect taxes, even if the tax assessment had become final and unappealable. This falls under the CTA's appellate jurisdiction as established by Section 7 of Republic Act No. 1125.

2. **Prescription Period:**

- The Supreme Court affirmed that the BIR's right to collect the tax had prescribed. Under Section 223(c) of the 1986 NIRC, the right to collect must be exercised within three years from the assessment notice. BIR failed to demonstrate that this was suspended by any of the conditions specified in Section 224, notably by not granting the request for reinvestigation filed by H&Q.

Doctrine:

- **Prescriptive Period for Tax Collection:** The prescriptive period for the BIR to collect assessed taxes is three years from the date of assessment unless specific conditions (e.g., a taxpayer's request for reinvestigation granted) are met to suspend the period (Section 223 and Section 224, NIRC 1986).

- **CTA's Appellate Jurisdiction:** The CTA has broad appellate jurisdiction on all matters arising from tax assessments, including the expiration of the right to collect such assessments (Section 7, Republic Act No. 1125).

- **Final and Unappealable Assessments:** The fact that an assessment becomes final and unappealable affects only the validity and correctness of the assessment, not the issue of the prescription of the right to collect.

****Class Notes:****

1. ****Key Elements:****

- Tax assessments
- Protest letters
- Jurisdiction of the Court of Tax Appeals
- Prescriptive period for tax collection
- Suspension of the prescriptive period

2. ****Relevant Statutes/Citations:****

- Section 223(c) of the 1986 NIRC: Prescriptive period for tax collection
- Section 224 of the 1986 NIRC: Suspension of running of the statute
- Section 7 of Republic Act No. 1125: Jurisdiction of the CTA

3. ****Concept Simplification:****

- The tax collection period is typically three years, extendable under special conditions like granted reinvestigations.
- The CTA's jurisdiction includes not only disputed assessments but also issues related to the collection timeline under the NIRC.

****Historical Background:****

The case represents a significant interpretation of tax collection laws and judicial jurisdiction in the Philippines, reinforcing procedural safeguards in the administration of tax laws. As the country developed its legal infrastructure post-martial law and technological transformations, ensuring timely and fair tax collection became a pivotal issue, reflecting broader state efforts to enhance efficiency and accountability in revenue administration amidst economic reforms.