

### Title:

MISNet, Inc. vs. Commissioner of Internal Revenue

### Facts:

MISNet, Inc. received a Preliminary Assessment Notice (PAN) on November 29, 2006, from the Commissioner of Internal Revenue (CIR), alleging tax deficiencies for 2003 amounting to PHP 11,329,803.61 for the expanded withholding tax (EWT) and final withholding VAT. MISNet protested the PAN. On January 23, 2007, MISNet received a Formal Assessment Notice (FAN), increasing the tax deficiency to PHP 11,580,749.31.

MISNet paid PHP 2,152.41 for undisputed assessments and filed a request for reconsideration of the FAN on February 9, 2007. Following further correspondence and verification, the CIR reiterated the same assessment amount. On March 28, 2011, an Amended Assessment Notice and a Final Decision on Disputed Assessment (FDDA) were issued, increasing the deficiency to PHP 14,564,323.34. MISNet protested the Amended Assessment and FDDA but was informed that their protest was legally ineffective, having missed the 30-day appeal period to the Court of Tax Appeals (CTA).

MISNet filed a Petition for Relief from Judgment with the CIR on May 27, 2011, on grounds of excusable negligence. After the Preliminary Collection Letter was deemed a denial, MISNet filed a Petition for Review with the CTA on July 26, 2011. The CIR moved to dismiss for lack of jurisdiction, which the CTA granted on March 27, 2012. MISNet's Motion for Reconsideration was also denied, leading to their Petition for Review with the CTA En Banc, which was dismissed on jurisdictional grounds due to the lapse of the 30-day appeal period.

### Issues:

1. Whether the CTA En Banc erroneously dismissed MISNet's Petition for Review for lack of jurisdiction.
2. Whether the statutory period to appeal was tolled by MISNet's actions and circumstances surrounding the Amended Assessment Notice and FDDA.
3. The correct administrative path and interpretation of protests against tax assessments.

### Court's Decision:

The Supreme Court found in favor of MISNet, granting the petition and remanding the case to the CTA First Division. The Court held that:

1. **Jurisdiction and Timeliness of Appeal:**

- **Primary Issue:** The CTA En Banc had focused strictly on the missed statutory period to

file the appeal.

- **Court's Analysis:** The filing of the letter of protest with the Regional Director was consistent with the instructions in the Amended Assessment Notice, which contributed to a justified delay.

- **Court's Conclusion:** The exceptional circumstances warranted relaxation of the rigid application of the statutory period. Therefore, MISNet was justified in its late filing due to following the instructions in the Amended Assessment Notice and not being assisted by legal counsel.

## 2. **Administrative Remedies:**

- **Issue:** Whether the filing with the Regional Director constituted a proper administrative remedy under the given context.

- **Court's Analysis:** The Amended Assessment Notice's instructions misled MISNet into filing a protest where it stated to do so within 30 days. This act was consistent with the administrative remedy process MISNet followed, hence suspending the appeal period.

- **Court's Conclusion:** The protest was appropriate under the circumstances, and the final decision on the EWT component was pending, thereby tolling the appeal period before the CTA's purview.

### ### Doctrine:

#### 1. **Suspension of Rules Based on Equity and Justice:**

- The Court may relax strict statutory periods in the interest of justice to prevent grave miscarriages.

- Taxpayer instructions by revenue authorities, if correctly followed, justify deviation from rigid procedural requirements.

### ### Class Notes:

- **Key Elements:**

- **Protesting of Assessments:** Section 228 NIRC allows filing a request for reconsideration or reinvestigation within 30 days from assessment receipt.

- **Jurisdictional Requirements:** Appeal period is jurisdictional; failure to appeal within 30 days renders the decision final.

- **Excusable Neglect:** Equity and justice may justify relaxation of strict procedural adherence.

- **Tax Assessment:** Includes Expanded Withholding Tax (EWT) and VAT.

- **Simplified Concepts:**

- \*NIRC Section 228:\* Taxpayers can protest assessments within statutory timelines.
- \*Relaxation of Rules:\* Court can suspend rules to avoid miscarriage of justice.
- \*Administrative Remedies:\* Following official instructions can toll appeal periods.

### Historical Background:

This case provides insight into the practical considerations in enforcing tax laws and taxpayer rights in the Philippines. It underscores the balance between adherence to procedural rules and equitable relief in cases of bureaucratic misguidance. The decision builds on previous rulings emphasizing justice over procedural technicalities, shaping the evolving landscape of tax litigation in the country.