

Title:

Commissioner of Internal Revenue vs. Philippine Global Communication, Inc., G.R. No. 166469

Facts:

- On April 15, 1991, Philippine Global Communication, Inc. (Philcom), a telecommunications corporation, filed its Annual Income Tax Return for the taxable year 1990.
- On April 13, 1992, the Commissioner of Internal Revenue (CIR) issued Letter of Authority No. 0002307 authorizing Bureau of Internal Revenue (BIR) officials to examine Philcom's 1990 income tax liability.
- On April 22, 1992, the BIR requested Philcom to present its financial records, which Philcom failed to do.
- On April 21, 1994, Philcom received a Preliminary Assessment Notice assessing a deficiency income tax of Php118,271,672.00 due to disallowed deductions.
- On April 22, 1994, Philcom received a Formal Assessment Notice confirming the deficiency tax.
- On May 6 and 23, 1994, Philcom filed formal protest letters, first through Ponce Enrile Cayetano Reyes and Manalastas Law Offices, and subsequently through Siguion Reyna Montecillo & Ongsiako Law Offices, contesting the assessment.
- On October 16, 2002, the CIR denied Philcom's protest.
- On November 15, 2002, Philcom filed a Petition for Review with the Court of Tax Appeals (CTA).
- On June 9, 2004, the CTA ruled for Philcom, stating that the CIR's right to collect the assessed tax had prescribed because the protest letters did not toll the prescriptive period.
- The CIR filed for reconsideration and subsequently a Petition for Review with the CTA En Banc, but both were denied, affirming the CTA's decision.
- The CIR then filed a Petition for Review on Certiorari with the Supreme Court.

Issues:

1. Whether the CIR's right to collect Philcom's deficiency income tax for the year 1990 has prescribed under Section 269(c) of the Tax Code of 1977.
2. Whether the protest letters filed by Philcom constituted requests for reinvestigation that could toll the prescriptive period.

Court's Decision:

Issue 1: Prescription of the CIR's Right to Collect

- ****Resolution****: The Supreme Court found that the CIR's right to collect the assessed

deficiency income tax had prescribed.

- **Reasoning**: Section 269(c) of the Tax Code of 1977 provides a three-year period within which the BIR must collect taxes following an assessment. The CIR issued the assessment on April 14, 1994, giving them until April 13, 1997, to collect. However, neither distraint/levy nor judicial proceedings for collection commenced within that period.

Issue 2: Nature of Protest Letters

- **Resolution**: The Court determined that the protest letters filed by Philcom were requests for reconsideration, not reinvestigation.

- **Reasoning**: Revenue Regulations No. 12-85 distinguished between requests for reconsideration and reinvestigation, where only the latter could toll the prescriptive period. The protest letters asked for a review based on existing records and did not introduce new evidence, qualifying them as requests for reconsideration.

Doctrine:

- **Prescription of Tax Collection**: The three-year period for the collection of assessed taxes is not tolled by a request for reconsideration; it is only suspended by a request for reinvestigation which entails the evaluation of new or additional evidence.

- **Strict Interpretation of Tax Statutes**: Provisions on prescription in tax laws are to be construed strictly against the government to protect taxpayer rights, ensuring prompt action by tax authorities and certainty for taxpayers.

- **Elements of Tolling Prescription**: Under Section 271 of the Tax Code of 1977, a reinvestigation request must be made by the taxpayer and granted by the BIR to toll the prescriptive period. A mere reconsideration request does not suffice.

Class Notes:

1. **Prescription Period for Tax Collection**:

- **National Internal Revenue Code of 1977**: Section 269(c) prescribes that collection must be within three years from assessment.

- **Suspension of Prescription**: Section 271 allows suspension if a reinvestigation is requested and granted.

2. **Protest Definitions** (RR No. 12-85):

- **Reconsideration**: Review based on existing records (does not toll prescription).

- **Reinvestigation**: Review based on new/additional evidence (tolls prescription).

3. **Equity in Tax Collection**: Legal provisions aim to balance government efficiency in tax collection and taxpayer protection from indefinite liability.

Historical Background:

- **Context**: This case arises from the Philippine government's efforts to streamline tax collection processes and ensure taxpayer protections were in place.
- **Commission's Recommendations**: Following recommendations from the Philippine Tax Commission, the legislature enacted laws to establish clear prescriptive periods to prevent coercive collections years after initial assessments, providing stability and fairness in the tax system.
- **Judicial Clarifications**: This case further clarifies the judiciary's stance on interpreting and applying these statutory limitations, reinforcing a taxpayer-centric approach to the prescription of tax liabilities.