

Ramie Textiles, Inc. vs. Auditor General

****Title:**** *Ramie Textiles, Inc. vs. Auditor General, G.R. No. L-25310, January 14, 1970*

****Facts:****

1. ***Commencement of Operations*:** Ramie Textiles, Inc., a domestic corporation, began its operations in 1959 and paid P78,041.17 as real estate taxes on its plant machinery and equipment from 1959 to 1963.
2. ***Claim for Refund*:** On May 19, 1967, realizing its machinery was exempt under Commonwealth Act No. 470, Section 3(f), Ramie Textiles filed a claim for refund of the taxes paid to the Provincial Treasurer of Bulacan.
3. ***Denial by Provincial Treasurer*:** On July 11, 1967, the Provincial Treasurer denied the claim, citing Section 359 of the Revised Manual of Instructions to Treasurers, which required claims to be submitted within two years from the date of payment.
4. ***Petitioner's Reply*:** On August 1, 1967, Petitioner argued that the two-year limitation did not apply as it was not dealing with municipal ordinances.
5. ***Referral to Central Office*:** The Provincial Treasurer's office indorsed the claim to the Auditor General's office, noting their agreement with the denial but seeking further instructions due to the significant amount involved.
6. ***Secretary of Finance's Indorsement*:** By July 22, 1969, the Secretary of Finance endorsed that he had no objection to the refund, subject to the six-year prescriptive period under Article 1145 of the New Civil Code.
7. ***Auditor General's Decision*:** Initially, on January 14, 1970, and then on July 28, 1970, the Auditor General denied the refund based on Section 54 of Commonwealth Act No. 470 which requires a protest before payment.

****Issues:****

1. ***Is protest a sine qua non requirement for refunding erroneously paid real estate taxes?***
2. ***What is the applicable prescriptive period for filing a claim for refund?***

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

1. ****Protest Requirement**:** The Court held that a protest is not required for a taxpayer to claim a refund of real estate taxes mistakenly paid under a mistaken belief of liability. Section 54 of Commonwealth Act 470 applies to known erroneous or illegal assessments, not to payments made out of a genuine belief in legal obligation without awareness of an exemption.
- ***Resolution*:** Petitioner did not waive the right to a refund as there was no prior

knowledge of exemption.

2. **Prescriptive Period**: The Court adopted the principle of solutio indebiti under Article 2154 of the New Civil Code and ruled that the claim must be made within six years from the date of payment, per Article 1145 of the New Civil Code.

- **Resolution**: Refund applicable to payments from October 31, 1961, to September 9, 1965 (totaling P61,007.33). Refund for payments before this period is barred by prescription.

Doctrine:

1. **Protest Not Required**: For recovering taxes mistakenly paid under the mistaken belief of liability, protest is not a sine qua non requirement.

2. **Six-Year Prescriptive Period**: The appropriate period within which to claim a refund for solutio indebiti is six years, in accordance with Article 1145(2) of the Civil Code.

Class Notes:

- **Key Legal Concepts**:

1. **Solutio Indebiti**: If something is received and unduly delivered by mistake, the obligation to return it arises.

2. **Protest for Refund**: Not required where payment is made under a genuine mistaken belief of liability.

3. **Prescriptive Period**: Six years for quasi-contracts (quasi-contract: Articles 1145 and 2154, New Civil Code).

- **Statutory Provisions**:

1. **Commonwealth Act No. 470, Section 3(f)**: Machinery used for industrial purposes is exempt from realty tax during the first five years.

2. **Civil Code, Article 2154**: Obligation to return money received by mistake.

3. **Civil Code, Article 1145(2)**: Six-year prescription for actions upon a quasi-contract.

Historical Background:

The context of this case underscores the evolution of tax refund principles in the Philippines, particularly concerning the scope of Commonwealth Act No. 470 and the application of quasi-contract principles under the New Civil Code. This decision contributes to the broader understanding of taxpayer rights and government obligations, reflecting the jurisprudential shift towards equitable treatment and against unjust enrichment within the Philippine legal framework.