

****Title:**** Commissioner of Internal Revenue vs. Petron Corporation

****Facts:****

1. On June 29, 2012, the Commissioner of Internal Revenue (CIR) issued a Letter interpreting Section 148(e) of the National Internal Revenue Code (NIRC), positing that “alkylate, which is a product of distillation similar to naphtha, is subject to tax.”
2. Subsequently, the Commissioner of Customs (COC) issued Customs Memorandum Circular (CMC) No. 164-2012 to implement the CIR’s interpretation.
3. The Collector of Customs assessed excise tax on Petron Corporation’s (Petron) importation of alkylate in compliance with CMC No. 164-2012.
4. Petron filed a petition for review with the Court of Tax Appeals (CTA) challenging the classification and resultant imposition of excise tax.
5. On February 13, 2013, the CTA reversed its initial dismissal and allowed Petron’s petition to proceed, stating the controversy was about the proper interpretation of Section 148(e) of the NIRC, and that the issue fell within the CTA’s jurisdiction.
6. The CIR filed a motion for reconsideration, which was denied by the CTA on May 8, 2013.
7. The CIR then filed a petition for certiorari with the Supreme Court (SC), arguing that the CTA lacked jurisdiction and that the case was premature because there was no final decision by the COC.
8. On July 15, 2015, the SC ruled in favor of the CIR and dismissed Petron’s petition for review filed before the CTA for lack of jurisdiction and prematurity.
9. Petron filed a motion for reconsideration with the SC on October 5, 2015, maintaining that the CTA had jurisdiction to review the CIR’s interpretative rulings.

****Issues:****

1. ****Jurisdiction of the CTA:**** Whether the CTA has jurisdiction to review the interpretative ruling of the CIR regarding the classification and taxability of alkylate.
2. ****Prematurity of Petition:**** Whether the petition for review filed by Petron before the CTA was premature because it did not follow the prescribed protest procedure.

****Court’s Decision:****

1. ****Jurisdiction Issue:****
 - The SC initially ruled that the CTA did not have jurisdiction over the case, referencing the 2008 En Banc decision in *British American Tobacco*, which restricted the CTA from ruling on the constitutionality or validity of administrative issuances.
 - Upon reconsideration, the SC cited the 2016 En Banc decision in *Banco De Oro* that granted the CTA jurisdiction to address all tax problems, inclusive of the validity of the

CIR's interpretations and related issuances, subject to prior review by the Secretary of Finance. This disposed of the jurisdictional challenge, favoring inclusion over exclusion.

2. **Prematurity Issue:**

- The SC had initially ruled Petron's appeal premature since it did not first exhaust required administrative remedies (i.e., protesting the assessment before the customs collector and appealing to the COC).
- However, the SC recognized that Petron later complied with the prescribed procedure, filed an administrative claim for refund/tax credit, and included this in a supplemental petition for review before the CTA. The CTA had already accepted and was trying the case, rendering the issue of prematurity moot.

Doctrine:

1. **Jurisdiction of CTA over tax matters:** The CTA has jurisdiction to examine the validity of CIR's interpretative rulings and administrative issuances concerning tax laws, as emphasized in *Banco De Oro v. Republic of the Philippines* and subject to prior review by the Secretary of Finance.
2. **Exhaustion of Administrative Remedies:** Taxpayers must generally exhaust all prescribed administrative remedies before seeking judicial intervention unless supervening circumstances, as demonstrated, moot the requirement.

Class Notes:

1. **CTA Jurisdiction:**

- **Section 7(a)(1) of RA 1125:** CTA's authority includes examining the validity of administrative tax rulings.
- **Banco De Oro Doctrine:** Confirms CTA's exclusive jurisdiction over tax-related judicial reviews.

2. **Administrative Remedies:**

- **NIRC Protest Procedure:** Mandates protesting an adverse customs ruling before the customs collector and subsequently appealing to the COC before approaching the judiciary.

Historical Background:

The procedural evolution of this case reflects the evolving jurisprudence on the CTA's jurisdictional extent and the procedural rigor required in tax disputes. The conflict between *British American Tobacco* and subsequent rulings such as *Philamlife* and finally *Banco De Oro* signifies a juridical shift toward broader CTA oversight in tax adjudications. This case impacts statutory interpretation enforcement, reinforcing the procedural precepts in

tax litigation and jurisdictional norms over administrative issuance challenges.

These principles crystallize within the context of ongoing legal discourse pertaining to administrative agency oversight and judicial review in tax matters, situating the case as a landmark precedent in Philippine tax law.