

Title: Commissioner of Customs vs. Oilink International Corporation

Facts:

****Step-by-Step Series of Events:****

1. ****1966****: Union Refinery Corporation (URC) was established.
2. ****1991-1994****: URC imported oil products into the Philippines.
3. ****January 11, 1996****: Oilink International Corporation (Oilink) was incorporated with the same board of directors and 100% ownership by URC.
4. ****January 15, 1996****: Esther Magleo from URC acknowledged in a letter that URC and Oilink had the same board and corporate relationship.
5. ****March 4, 1998****: District Collector Oscar Brillo demanded URC to pay taxes and duties for oil imports from 1991-1995.
6. ****April 16, 1998****: Another demand letter was issued reducing the amount owed by URC to P289,287,486.60.
7. ****April 23, 1998****: URC responded seeking details and disputed inconsistencies.
8. ****November 25, 1998****: Customs Commissioner Pedro C. Mendoza demanded URC pay P119,223,541.71.
9. ****December 21, 1998****: Commissioner Mendoza reduced the demand to P99,216,580.10.
10. ****December 23, 1998****: New Customs Commissioner Nelson Tan affirmed the P99,216,580.10 liability.
11. ****January 18, 1999****: URC proposed to settle for P28,933,079.20 to Commissioner Tan.
12. ****March 26, 1999****: Commissioner Tan rejected URC's proposal, demanding P99,216,580.10.
13. ****May 24, 1999****: URC proposed a settlement payment plan.
14. ****July 2, 1999****: Final demand from Commissioner Tan held URC and Oilink liable for P138,060,200.49.
15. ****July 8, 1999****: Oilink formally protested the assessment, asserting it wasn't liable.
16. ****July 12, 1999****: Commissioner Tan reiterated the demand and conditions for issuing clearance to Oilink.
17. ****July 30, 1999****: Oilink appealed to the Court of Tax Appeals (CTA).

****Procedural Posture****:

1. ****CTA Decision****: On July 9, 2001, CTA declared the assessment null and void against Oilink.

2. The Commissioner of Customs' motion for reconsideration was denied.
3. **Court of Appeals (CA)**: The Commissioner of Customs petitioned for review. On September 29, 2003, CA upheld CTA's decision.
4. **Supreme Court**: Appeal was taken to the Supreme Court by the Commissioner of Customs.

Issues:

1. Did the CTA have jurisdiction over the case?
2. Did Oilink have a valid cause of action?
3. Could the Commissioner of Customs pierce the veil of corporate fiction to hold Oilink liable for URC's tax deficiencies?

Court's Decision:

Jurisdiction of the CTA:

- **Ruling**: The CTA had jurisdiction under Republic Act No. 1125, which covers decisions involving customs duties or other money charges.
- **Reasoning**: The appeal by Oilink was timely as the deadline started from when the Commissioner denied Oilink's protest on July 12, 1999, making the July 30, 1999 appeal timely.

Cause of Action:

- **Ruling**: Oilink had a valid cause of action.
- **Reasoning**: Non-exhaustion of administrative remedies was inapplicable, given the Commissioner of Customs decided on the protest, making further administrative steps futile.

Piercing the Corporate Veil:

- **Ruling**: There was insufficient evidence to justify piercing the corporate veil.
- **Reasoning**: The necessary conditions (e.g., fraud, injustice) were not established sufficiently. The late amendment by the Commissioner indicating Oilink's liability was perceived as an afterthought.

Doctrine:

1. **Jurisdictional Clarity for CTA**: The CTA has jurisdiction over cases involving customs duties, taxes, and related financial liabilities as per Republic Act No. 1125.
2. **Exhaustion of Administrative Remedies**: Not always a strict necessity, particularly

when subsequent administrative remedies appear futile.

3. **Piercing the Corporate Veil**: Requires clear evidence of misuse of corporate structures to evade obligations or perpetrate fraud.

Class Notes:

1. **Jurisdictional Scope of CTA (RA No. 1125, Sec. 7)**: Exclusive appellate jurisdiction includes liability for customs duties, seizure, penalties, and duties-related issues.

2. **Exhaustion of Administrative Remedies**: Exceptions occur where further steps are deemed pointless.

3. **Piercing Corporate Veil**:

- Requires elements of control, fraud, and direct link to injury or unjust loss.
- Essential references include PNB v. Ritratto Group, Inc. for alter ego doctrine application.

Historical Background:

Context: The case illustrates the complexities of corporate-tax liability interrelations between companies with intertwined management structures. It underscores Philippine jurisprudence's stringent requirements for proving corporate misuse to attribute liabilities across entities, reinforcing principles meant to foster business autonomy while safeguarding against malpractices.