

Title: Commissioner of Internal Revenue v. Semirara Mining Corporation

Facts:

Semirara Mining Corporation (SMC) is engaged in the exploration, extraction, and sale of coal products, and operates a coal mine in Semirara, Caluya, Antique. The firm holds a Coal Operating Contract (COC) with the Philippine Government, granting it various tax incentives, including exemption from all taxes except income tax, under Presidential Decree No. 972 (PD No. 972). This exemption is mirrored in Section 109 of the National Internal Revenue Code of 1997 (NIRC) as amended.

When Republic Act No. 9337 became effective, it did not provide for any explicit repeal of SMC's VAT exemption. However, the National Power Corporation (NPC), a government-owned corporation and major buyer of SMC's coal, began withholding 5% final VAT on SMC's coal sales.

On February 9, 2007, NPC remitted the withholdings to the Bureau of Internal Revenue (BIR), totaling Php 15,292,054.93. SMC sought BIR confirmation of its VAT exemption, and in response, BIR Ruling No. 0006-2007 confirmed this exemption. Subsequently, SMC filed an administrative claim for a refund on May 21, 2007. Unsuccessful and allegedly faced with BIR's inaction, SMC petitioned the Court of Tax Appeals (CTA) on February 4, 2009.

Procedural Posture:

1. **Administrative Claim**: Filed May 21, 2007 (No action taken by the BIR).
2. **Petition for Review with CTA Division**: Filed February 4, 2009.
3. **CTA Division Ruling (January 4, 2011)**: Directed BIR to refund or issue a tax credit certificate to SMC.
4. **Petition for Reconsideration by CIR**: Denied.
5. **Petition for Review before CTA En Banc**: Denied and dismissed for lack of merit (March 22, 2012). Appeal and Motion for Reconsideration by CIR also denied (June 28, 2012).

Issues:

1. Whether the CTA erred in ruling that SMC is entitled to a tax refund for the final VAT withheld by NPC and remitted to the BIR.
2. Whether RA No. 9337 repealed the VAT exemption of SMC under PD No. 972.

Court's Decision:

The Supreme Court (SC) denied the petition by the Commissioner of Internal Revenue,

affirming the CTA's ruling:

1. **VAT Exemption**: The Court upheld SMC's VAT exemption under Section 16 of PD 972 and Section 109(k) of the amended NIRC. The exemption reflected in these legal provisions remained valid and was not repealed by RA No. 9337. The PD's tax incentives, including VAT exemption, were recognized explicitly under RA No. 9337's Section 109.
2. **Tax Refund**: Since SMC's coal sales to NPC were VAT-exempt, SMC was entitled to a refund or a tax credit certificate for the withheld VAT that was erroneously remitted.
3. **Implied Repeal Argument**: The Court reiterated the principle of statutory construction that a special law (PD No. 972) cannot be implicitly repealed by a general law (RA No. 9337) in the absence of an express repeal. The Court highlighted that RA No. 9337 did not explicitly repeal Section 16 of PD No. 972.

Doctrine:

1. **Interpretation of Tax Exemption Statutes**: A special tax exemption law cannot be impliedly repealed by a general law unless there is a clear legislative intent.
2. **Non-Implied Repeal Principle**: Legislative provisions establishing incentives, such as tax exemptions, should be explicitly mentioned for repeal in any subsequent general legislation to signify intended repeal.
3. **Administrative Exhaustion**: Judicial recourse isn't premature if there is inaction by the tax authority for an unreasonable period, highlighting the need for timely administrative responses.

Class Notes:

1. **Statutory Interpretation**: Special laws prevail over general laws unless repealed explicitly.
 2. **Tax Exemptions**: Established tax exemptions need clear legislative intent for repeal.
 3. **Administrative and Judicial Remedies**: Taxpayers may seek judicial remedies when there is prolonged inaction by administrative bodies.
- **Relevant Statute Citations**:
 - PD No. 972, Section 16
 - NIRC Section 109(k) (as amended by RA No. 9337, Section 7).

Historical Background:

PD No. 972, part of the Philippines' policy to bolster national energy resources, provided tax incentives to coal operators to encourage energy self-sufficiency. RA No. 9337 aimed at

broadening the tax base particularly on VAT but did not explicitly repeal coal operators' exemptions under PD No. 972, reflecting an ongoing legislative attempt to balance revenue generation with sector-specific incentivization policies.