

****Title:**** Commissioner of Internal Revenue vs. Isabela Cultural Corporation

****Facts:****

1. ****Preliminary Assessment and Reduction:****

- An investigation into Isabela Cultural Corporation's (ICC) 1986 books resulted in a preliminary assessment of Php 9,985,392.15 in total income tax deficiency.
- Upon protest, this assessment was reduced to Php 325,869.44 divided into:
 - Deficiency Income Tax: Php 321,022.68
 - Deficiency Expanded Withholding Tax: Php 4,846.76

2. ****Demand for Payment:****

- On February 23, 1990, ICC received an assessment letter demanding payment of Php 333,196.86 for income tax and Php 4,897.79 for expanded withholding tax, including surcharges and interest.

3. ****Request for Reconsideration:****

- ICC filed a request for reconsideration on March 23, 1990.
- Additional supportive documents were filed on April 18, 1990, along with a Waiver of Statute of Limitation, extending the assessment period to April 5, 1991.

4. ****Final Notice Before Seizure:****

- On February 9, 1995, ICC received a Final Notice Before Seizure dated December 22, 1994, demanding payment within ten days to avoid summary remedies.

****Procedural Posture:****

5. ****Petition for Review:****

- ICC treated the Final Notice as a final decision and filed a petition for review with the Court of Tax Appeals (CTA) on March 9, 1995.
- The CTA dismissed the petition.

6. ****Appeal to the Court of Appeals (CA):****

- ICC appealed the dismissal, arguing the Final Notice constituted a final decision.
- The CA ruled in favor of ICC, reversing the CTA's decision and remanding the case to it for proper disposition.

****Issues:****

1. Whether the Final Notice Before Seizure issued by the BIR constituted the final decision of the Commissioner of Internal Revenue (CIR) that is appealable to the CTA.

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

1. ****Nature of the Final Notice:****

- The Supreme Court agreed with the CA that the Final Notice Before Seizure amounted to a final decision on ICC's request for reconsideration.
- It noted that the language and tenor of the notice ("LAST OPPORTUNITY") indicated a final demand for payment before enforcement of collection remedies.

2. ****Provisions of Section 228 of the National Internal Revenue Code:****

- The Court cited Section 228, which allows a taxpayer to appeal a disputed assessment to the CTA if a request for reconsideration is unacted upon for 180 days.
- The Court noted that 180 days had lapsed after ICC's request for reconsideration without any action from the CIR, legitimizing ICC's appeal.

3. ****Jurisprudence:****

- The Court referenced precedent cases where final demand letters were considered final action on disputed assessments, such as Commissioner of Internal Revenue v. Ayala Securities Corporation and Surigao Electric Co., Inc. v. CTA.

4. ****Distinguishing Prior Precedents:****

- The case was distinguished from Commissioner v. Algue, indicating that in Algue, there was no record of a request for reconsideration.
- Here, ICC's request for reconsideration was received and acknowledged by the CIR.

****Doctrine:****

- A final demand letter reiterating payment of delinquent taxes constitutes a decision on a disputed assessment and is appealable to the Court of Tax Appeals.
- Under Section 228 of the National Internal Revenue Code, if the CIR does not act on a taxpayer's request for reconsideration within 180 days, the taxpayer may appeal directly to the CTA.

****Class Notes:****

1. ****Key Elements/Concepts:****

- Tax Deficiency and Reassessment
- Administrative Remedies in Tax Disputes
- Finality and Appealable Decisions

2. ****Relevant Statutes and Jurisprudence:****

- *National Internal Revenue Code, Section 228* - Procedures for protesting tax

assessments and the 180-day rule for appealing inaction to the CTA.

- Case Law: Commissioner of Internal Revenue v. Ayala Securities Corporation (70 SCRA 204, 1976) and Surigao Electric Co., Inc. v. CTA (57 SCRA 523, 1974).

3. **Application:**

- Case elucidates the significance of a final demand letter and action or inaction by the CIR as grounds for appeal to higher tax courts.

Historical Background:

- The case reflects the ongoing complexity and contentious nature of tax dispute resolution in the Philippines.

- The resolution underscores the judiciary's role in interpreting procedural and substantive tax laws to protect both state interests in tax collection and taxpayer rights, ensuring administrative decisions are clear, unambiguous, and fair.