

****Title:**** Philippine Amusement and Gaming Corporation (PAGCOR) v. Bureau of Internal Revenue (BIR)

****Facts:****

1. PAGCOR, a government-owned corporation, provides a car plan program to its officers where 60% of the car cost is shouldered by PAGCOR and 40% by the officer, payable over five years.
2. On October 10, 2007, PAGCOR received a Post Reporting Notice from BIR identifying tax deficiencies for 2004, including VAT, WTV, EWT, and FBT.
3. On November 23, 2007, the BIR dropped the deficiency assessments for VAT, WTV, and EWT, but maintained the deficiency FBT assessment.
4. On January 17, 2008, PAGCOR received a Final Assessment Notice (FAN) from the BIR claiming deficiency FBT for 2004 amounting to PHP 48,589,507.65.
5. PAGCOR protested the FAN on January 24, 2008.
6. On August 14, 2008, PAGCOR elevated its protest to the Commissioner of Internal Revenue (CIR) due to inaction.
7. On September 23, 2008, PAGCOR was informed that the protest was upheld by the Legal Division of Revenue Region No. 6.
8. On November 19, 2008, PAGCOR received another letter referring its protest to the Revenue District Office for proper action.
9. On March 11, 2009, PAGCOR filed a Petition for Review at the CTA.

****Procedural Posture:****

- The CTA 1st Division dismissed PAGCOR's petition on July 6, 2011, ruling that it was filed out of time.
- PAGCOR filed a Motion for Reconsideration on July 26, 2011.
- While the motion was pending, the CIR issued a letter on July 18, 2011, for collection of unpaid taxes and warned of issuing Warrants of Distraint and/or Levy.
- PAGCOR sought relief in the CTA En Banc on November 23, 2011, with an urgent motion to suspend tax collection.
- The CTA En Banc affirmed the 1st Division's decision on February 18, 2013.
- PAGCOR's subsequent Motion for Reconsideration was denied by the CTA En Banc on July 23, 2013.
- PAGCOR elevated the case to the Philippine Supreme Court.

****Issues:****

1. Whether the CTA En Banc erred in affirming the dismissal of the petition for being filed out of time.
2. Whether PAGCOR's tax exemption under its charter includes exemption from the Fringe Benefits Tax.
 - 2.1 Whether the car plan extended to its officers inured to PAGCOR's benefit and was necessary for its business.
 - 2.2 Whether PAGCOR should only be liable for the basic tax, excluding surcharges and interests, if it is subject to the FBT.

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

****Issue 1: Timeliness of the Petition****

- The Supreme Court ruled that PAGCOR's filing of the petition before the CTA was premature and not late as ruled by lower courts. PAGCOR filed its administrative protest on January 24, 2008, and, per legal provisions, the CIR had 180 days or until July 22, 2008, to act on it.
- PAGCOR should have waited until the lapse of the 180-day period before filing a petition at the CTA but filed prematurely without a determination from the CIR.

****Issue 2: Tax Exemption****

- The Court agreed with the lower courts, affirming that PAGCOR is not exempt from Fringe Benefits Tax despite its tax-exempt status under its charter. The car plan was considered a personal expense, taxable as a fringe benefit.
- As per the relevant provisions of the NIRC, PAGCOR's obligation to withhold and remit the tax was personal. Consequently, non-compliance rendered the tax final and executory.

****Doctrine:****

- ****Premature Filing****: The Court reinforced that taxpayers must strictly follow procedural timelines. Any deviation, such as premature filing, invalidates the legal process and may result in loss of jurisdiction (Section 228 of the NIRC).
- ****Tax Exemption Scope****: The ruling clarifies limits of tax exemptions, affirming that specific benefits or payments to employees classified as fringe benefits remain taxable regardless of organizational exemptions.

****Class Notes:****

1. **Administrative Protest Timelines**:

- Filing period: 30 days from receipt of assessment (Sec. 228, NIRC).
- CIR decision period: 180 days from submission of supporting documents.
- Appeal period: 30 days post the CIR's action or lapse of the 180-day period.

2. **Fringe Benefits Tax (Sec. 33, NIRC)**:

- Tax on benefits granted to employees.
- Employer's obligation to withhold and remit.

3. **Tax Code Section 228**:

- Specifies procedural requirements for disputing tax assessments.
- Highlights importance of adherence to statutory periods to avoid finality of assessments.

Historical Background:

This case underscores the importance of procedural adherence in administrative protests and tax assessments within the Philippine tax system. It also delineates the limits of tax exemptions for government-owned and controlled corporations, enforcing the need for these entities to comply with their obligations under the NIRC, particularly in the context of fringe benefits tax. The case reflects the judicial commitment to strict compliance with statutory mandates and protocols, reinforcing taxpayer accountability and procedural due process.