

Title:

Metropolitan Bank & Trust Company vs. Commissioner of Internal Revenue, G.R. No. 176708 (April 21, 2008)

Facts:

1. **Loan Agreement:**

On June 5, 1997, Solidbank Corporation (Solidbank) extended a loan of USD 123,780,000.00 to Luzon Hydro Corporation (LHC). LHC agreed to shoulder all internal revenue taxes related to the loan, including the filing and remittance of taxes to the Bureau of Internal Revenue (BIR).

2. **Acquisition:**

On September 1, 2000, Metrobank acquired Solidbank and assumed all rights and obligations, including those under the loan agreement with LHC.

3. **Tax Payments:**

LHC paid Metrobank USD 1,538,122.17 on March 2, 2001, and USD 1,333,268.31 on October 31, 2001. LHC withheld 10% final tax on the interest portions of the payments, remitting USD 106,178.69 (equivalent to PHP 5,296,773.05) to the BIR, as evidenced by their respective remittance returns.

4. **Duplicate Payment:**

Metrobank erroneously included these amounts in its own Monthly Remittance Returns for March 2001 and October 2001 and thus paid the BIR twice.

5. **Refund Request:**

On December 27, 2002, Metrobank requested a refund from the BIR due to the duplicate payment. With no action from the BIR, Metrobank filed a judicial claim for refund on September 10, 2003.

Procedural Posture:

1. **CTA Division:**

The CTA Division denied Metrobank's refund claims in a decision dated August 13, 2007. It held that the claim for March 2001 was filed beyond the two-year prescriptive period, and the claim for October 2001 lacked sufficient evidence. Metrobank's motion for reconsideration was partially granted on November 14, 2007, allowing further evidence for

the October 2001 claim but affirming the March 2001 denial due to prescription.

2. **CTA En Banc:**

On April 21, 2008, the CTA En Banc affirmed the CTA Division decision. It agreed that the prescriptive period for the March 2001 tax claim began on April 25, 2001, and expired on April 25, 2003, making Metrobank's September 10, 2003 judicial claim untimely.

Issues:

1. **Prescriptive Period:**

Whether the CTA En Banc correctly held that Metrobank's claim for refund relative to its March 2001 final tax had already prescribed.

Court's Decision:

The Supreme Court ruled against Metrobank, affirming the CTA En Banc's decision.

1. **Prescriptive Period Counsel:**

The Court highlighted that final withholding taxes are considered full and final payments and are not subject to adjustments. Therefore, the prescriptive period for refund claims should run from the date the tax was paid, not from the filing of the final adjustment return.

2. **Section 229 of NIRC:**

The Court underscored the requirement that both administrative and judicial claims for refunds must be filed within two years from the date of tax payment. Metrobank filed its judicial claim beyond the two-year limit (April 25, 2001 - April 25, 2003).

3. **Doctrine of Solutio Indebiti:**

The Court rejected Metrobank's argument based on solutio indebiti, reiterating that tax refund claims are governed by specific prescriptive periods set by the tax code and not the six-year period applicable to quasi-contracts.

Doctrine:

- **Prescriptive Period for Tax Refunds:**

Refund claims must adhere to the two-year prescriptive period from the date of tax payment (Section 229 of the NIRC).

- **Final Withholding Tax:**

Such taxes are full and final payments of income tax and thus do not reset the prescriptive

period upon filing annual returns.

Class Notes:

- **NIRC Sections 204 and 229:**

Key statutory provisions detailing the authority of the Commissioner to grant refunds and the procedural requirements for such claims, including the prescriptive period.

- **Section 2.57(A) of Revenue Regulations No. 02-98:**

Defines final withholding tax and its treatment as a full and final payment of the income tax due.

Historical Background:

Although tax refund claims and prescriptive periods have been a longstanding matter in commercial and tax law, this particular case underscores the strict adherence required to procedural deadlines to prevent loss of taxpayer rights due to prescription. This case provides a clarion call for meticulous tax compliance and the need for precise timing in filing claims to ensure tax justice.