

Title: Commissioner of Internal Revenue v. Bank of the Philippine Islands, G.R. No. 217295 (2017)

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Facts:

1. **Initial Filing and Waivers:**

- **April 15, 1987:** Citytrust Banking Corporation (CBC) filed its Annual Income Tax Returns for its Regular Banking Unit and Foreign Currency Deposit Unit for taxable year 1986.
- **August 11, 1989; July 12, 1990; November 8, 1990:** CBC executed Waivers of the Statute of Limitations under the National Internal Revenue Code (NIRC).

2. **Tax Assessment and Protest:**

- **March 7, 1991:** Commissioner of Internal Revenue (CIR) issued a Pre-Assessment Notice (PAN) for deficiency taxes totaling P19,202,589.97.
- **April 22, 1991:** CBC filed a protest against the PAN.
- **May 6, 1991:** CIR issued a Letter with attached Assessment Notices demanding payment within 30 days.
- **May 27, 1991; February 17, 1992:** CBC filed protests against the assessment.

3. **Compromise Settlement Attempts:**

- **March 29, 1994; May 2, 1994:** CBC offered a compromise settlement under Revenue Memorandum Order (RMO) No. 45-93.
- **October 12, 1994:** CIR approved the compromise settlement, conditioned upon payment of P8,607,517.00 within 15 days.
- **November 28, 1994; March 8, 1995; May 4, 1995:** CBC reiterated requests for reconsideration, reiterating settlement offers.

4. **Merger and Subsequent Collection Attempt:**

- **October 4, 1996:** Securities and Exchange Commission approved the Articles of Merger between BPI and CBC, with BPI as the surviving corporation.
- **May 26, 2011; July 28, 2011:** CIR issued Notice of Denial and Letter of Demand, requesting P19,202,589.97 plus increments.

5. **Warrant and Petition with CTA:**

- **September 21, 2011:** CIR issued a Warrant of Distrainment and/or Levy against BPI.
- **October 7, 2011:** BPI filed a Petition for Review with the Court of Tax Appeals (CTA).

6. **CTA Decisions:**

- **February 12, 2014:** CTA Special Third Division granted BPI's petition, canceling the Warrant of Distraint and/or Levy.
- **September 16, 2015; April 21, 2016:** CTA En Banc denied CIR's petitions and affirmed the Special Third Division's decision.

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Issues:

1. Whether the CTA has jurisdiction over the case questioning the Warrant of Distraint and/or Levy issued by the CIR.
2. Whether CBC's assessment notice was issued within the prescriptive period.
3. Whether the waivers executed by CBC extended the prescriptive period.
4. Whether the principle of estoppel prevents BPI from invoking prescription of the tax assessment.

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Court's Decision:

1. **Jurisdiction of the CTA:**

- The Supreme Court affirmed that the CTA has jurisdiction over cases involving the cancellation and withdrawal of a Warrant of Distraint and/or Levy as provided under Section 7 of Republic Act No. 9282.

2. **Prescription of the Assessment:**

- The CIR's assessment notices issued on May 6, 1991, were made beyond the three-year prescriptive period from April 15, 1987.
- Waivers executed by CBC were found invalid and did not extend the prescriptive period as they failed to meet proper form requirements under RMO No. 20-90.

3. **Invalidity of Waivers:**

- The defects in the waivers executed by CBC ensured that they did not effectively toll the prescriptive period. Consequently, the assessment period was not legally extended beyond the three-year limit.

4. **Principle of Estoppel:**

- The Supreme Court held that estoppel does not apply in this context. The BIR's failure to

follow its procedures for waivers meant that BPI could rightfully raise prescription as a defense.

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Doctrine:

- **Doctrine of Prescription:** The right of the Commissioner to assess, collect or enforce collection of taxes beyond the prescriptive period is barred.
- **Strict Adherence to Procedural Rules:** For waivers extending the prescriptive period to be valid, strict compliance with procedural requirements is necessary.
- **Taxpayer's Right to Due Process:** Ensuring proper notice and opportunity to protest an assessment is fundamental.

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Class Notes:

1. **Key Elements/Concepts:**

- **Prescription Period:** Refers to the period within which the Bureau of Internal Revenue (BIR) must assess or collect taxes.
- **Waiver of Statute of Limitations:** A waiver can extend the prescription period, but must comply with procedural requirements.
- **Estoppel in Tax Cases:** Estoppel may not be invoked to cure procedurally defective waivers.

2. **Statutory Provisions:**

- **NIRC Section 229:** Details the procedures for contesting a tax assessment.
- **RMO No. 20-90:** Governs the form and execution of waivers for extending the prescription period.

3. **Application/Interpretation in the Case:**

- The BIR's procedural non-compliance with proper waiver execution renders the waivers invalid and ineffective to extend the assessment/collection period.

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Historical Background:

The case is situated in the landscape of tax administration reforms in the Philippines,

highlighting the judiciary's role in ensuring procedural safeguards for taxpayers. The emphasis on adherence to statutory deadlines and formal requirements for waivers reflects broader efforts to make tax enforcement more transparent and predictable. The merger context further adds a layer of complexity in corporate tax compliance, reinforcing the necessity of clear procedural adherence by the tax authorities to avoid legal disputes.