

****Title:**** Bureau of Internal Revenue vs. Samuel B. Cagang

****Facts:****

1. On March 4, 2003, CEDCO received a Letter of Authority (LOA) from the Bureau of Internal Revenue (BIR), authorizing the examination of CEDCO's accounts and records for the taxable years 1997 to 2001.
2. CEDCO requested the cancellation of the LOA on April 14, 2003, citing previous examinations and payments of deficiency taxes and disposal of records for the years 1997-2000.
3. The BIR denied the request, and CEDCO submitted its available records.
4. On May 24, 2005, CEDCO received a Preliminary Assessment Notice (PAN) for deficiencies in income tax, VAT, expanded withholding tax, and withholding tax for 2000 and 2001.
5. CEDCO protested the assessment but the BIR issued a Formal Letter of Demand (FLD) on December 9, 2005, demanding P126,564,315.98.
6. CEDCO contended against the FLD on February 8, 2006, but the BIR's Final Decision on Disputed Assessment (FDDA) dated September 28, 2007, denied their protest.
7. CEDCO availed of the tax amnesty under RA 9480 on November 28, 2007, covering national internal revenue taxes for 2005 and earlier.
8. Despite this, the BIR directed CEDCO to pay its tax liabilities on June 24, 2008. A complaint-affidavit was filed against Cagang and Paredes for willful failure to pay CEDCO's deficiency taxes.
9. DOJ-NPS dismissed the initial complaint for lack of probable cause on March 12, 2010. BIR's motion for reconsideration was later denied on January 5, 2011.
10. The issue was elevated to the Secretary of Justice, resulting in the filing of criminal information against Cagang and Paredes for violation of Section 255 of the NIRC on August 13, 2013.
11. Cagang filed a petition for certiorari with the Court of Appeals (CA), which was granted, annulling the DOJ resolution and reinstating the March 12, 2010, dismissal.
12. BIR's motion for reconsideration with the CA was denied on February 6, 2017, leading to the present appeal to the Supreme Court.

****Issues:****

1. Whether CEDCO is entitled to avail of the tax amnesty under RA 9480.
2. Whether there is probable cause to charge Cagang with a violation of Section 255 of the NIRC.

Court's Decision:

1. **Tax Amnesty Eligibility:**

The Supreme Court ruled that CEDCO is not qualified for tax amnesty for its withholding tax liabilities, as explicitly excluded by Section 8(a) RA 9480. Withholding tax liabilities are not covered under the amnesty program. However, for income tax and VAT deficiencies for 2000 and 2001, CEDCO's compliance with amnesty requirements meant these were deemed settled.

2. **Probable Cause Against Cagang:**

The Court found probable cause to charge Cagang. Evidence permitted the belief that Cagang, as treasurer of CEDCO during the relevant period, had the duty to pay withholding tax liabilities but failed to do so. Probable cause does not demand absolute certainty, merely a reasonable belief based on available facts.

Doctrine:

1. **Tax Amnesty Construction:** Tax amnesty laws, much like tax exemptions, must be interpreted strictly against the taxpayer and in favor of the taxing authority.
2. **Probable Cause:** Defined as a reasonable belief based on facts within knowledge, suggesting the accused's guilt. It does not require definitive proof or absolute certainty.

Class Notes:

1. **Tax Amnesty (RA 9480):**

- Covers all national internal revenue taxes for taxable year 2005 and prior.
- Exceptions: Withholding agents, certain cases per Section 8.

2. **Probable Cause in Tax Violations:**

- Requires belief based on facts that the taxpayer might be guilty.
- Does not require actual evidence for conviction, just a reasonable ground for suspicion.

3. **Legal Provisions Involved:**

- **Section 8, RA 9480:** Lists exceptions for tax amnesty.
- **Section 255, NIRC:** Penalties for failure to perform tax-related duties.
- **Section 253(d), NIRC:** Holds corporate officers responsible for violations.

Historical Background:

This decision reflects ongoing disputes involving tax amnesty applications and liability for corporate tax obligations, highlighting the BIR's stringent enforcement against evasion and the judicial scrutiny of such enforcement.

****Conclusion:****

The Supreme Court reinstated the BIR's assessment of withholding tax liabilities against CEDCO, upheld the charges against Cagang from those liabilities, and affirmed CEDCO's settled status for other tax deficiencies post-amnesty.