COMMISSIONER OF INTERNAL REVENUE, PETITIONER, VS. UNITED INTERNATIONAL PICTURES, AB, RESPONDENT.

G.R. No. 169565. January 21, 2009

Ponente: CORONA, J.

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CORONA, J.:

On April 14, 1998, respondent United International Pictures, AB[1] filed a petition for review in the Court of Tax Appeals (CTA) (CTA Case No. 5618) asking for the refund of its excess income tax payments in 1996 amounting to P5,791,194.

While the said petition was pending, respondent filed an administrative claim for refund of its excess income tax payments in 1997 amounting to P4,578,574[2] in Revenue District Office No. 34 of the Bureau of Internal Revenue (BIR). Thus, as of June 23, 1998, respondent's claim for refund totaled P10,369,768.[3]

On October 1, 1999, the CTA rendered a decision in CTA Case No. 5618 ordering petitioner Commissioner of Internal Revenue to deduct respondent's 1996 tax liability from the amount claimed and to refund (or to issue tax credit certificates) in the amount of P4,007,357.[4] Neither party assailed the decision; thus, it attained finality.

In view of the decision in CTA Case No. 5618, respondent revised its pending administrative claim for refund. It added the amount of its 1996 tax liability (or P1,748,669) and claimed the creditable tax withheld in 1997 (or P6,327,243) as the amount of total refund.[5]

Because the BIR failed to act on its administrative claim, respondent filed a petition for review[6] in the CTA on March 15, 2000.[7]

After trial, the CTA found that respondent complied with all the requirements for the refund of creditable withholding taxes.[8] Nonetheless, in comparing respondent's 1997 income tax return and the certificate of tax withheld issued by its withholding agent, it found that respondent understated its income. Thus, the CTA granted the petition[9] but ordered the BIR to refund (or to issue tax credit certificates) only to the extent of P6,285,892.05.[10]

Aggrieved, petitioner filed a petition for certiorari[11] in the Court of Appeals (CA) asserting that the CTA committed grave abuse of discretion when it granted respondent a tax refund.[12] However, the CA affirmed the findings of the CTA and dismissed the petition.[13] Petitioner moved for reconsideration but it was denied.[14]

Hence, this recourse,[15] petitioner contending that the CA erred in dismissing its petition for certiorari.

We deny the petition.

Under our tax system, the CTA is a highly specialized body that reviews tax cases. For this reason, its findings of fact are binding on the Court unless such findings are not supported by substantial evidence.[16]

In this case, the CTA concluded that respondent was entitled to refund but only to the extent of

P6,285,892.05.[17] As pointed out by the CA, the CTA exhaustively explained why it granted the refund albeit less than what respondent claimed. We find no reason to disturb the CTA's findings of fact.

ACCORDINGLY, the petition is hereby DENIED.

No costs.

SO ORDERED.

Quisumbing, Acting Chief Justice[*], Austria-Martinez[**], Carpio-Morales[**], and Leonardo-De Castro, JJ., concur.
Corona[***], J., acting Chairperson.

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[*] Per Special Order No. 549 and additional member of the First Division as replacement of Justice Antonio T. Carpio per Special Order No. 547.

[**] Additional members as replacements of Chief Justice Reynato S. Puno and Justice Adolfo S. Azcuna per Special Order No. 553.

[***] Per Special Order No. 552.

[1] A Swedish corporation licensed to do business in the Philippines. Under the Philippine tax laws, respondent is a resident foreign corporation taxed in accordance with Section 28(A) of the Tax Code.

[2] Respondent's administrative claim for refund was computed as follows:

Creditable tax withheld for 1997

P 6,327,234.00

Less: Tax due (i.e., 1997 tax liability)

(1,748,669.00)

TOTAL REFUND CLAIMED FOR 1997

P 4,578,574.00

(Note that the difference between P6,327,234 and P1,748,669 is P4,578,565.)

[3] Respondent's total claim for tax refund was computed as follows:

Tax credits/prior years excess credit

P 5,791,194.00

Creditable tax withheld

6,327,234.00

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TOTAL TAX REFUND/ CREDIT CLAIMED

P12,118,437.00

Less: Tax due (i.e., 1997 tax liability)

(1,748,669.00)

NET TAX REFUND/ CREDIT CLAIMED

P10,369,768.00

[4] The CTA computed the amount of refund as follows:

Previous years' credit

P5,791,194.00

Less: 1996 tax liability

(1,748,669.00)

TOTAL TAX REFUND/ CREDIT DUE TO RESPONDENT

P4,007,357.87

(Note that the difference between P5,791,194 and P1,748,669 is P4,042,525.)

[5] Supra note 2.

[6] Under Rule 43 of the Rules of Court. (This case observes the procedure in RA 1125 prior to the amendments of RA 9282.)

[7] Docketed as CTA Case No. 6027.

[8] See Banco Filipino Savings and Mortgage Bank v. Court of Appeals, G.R. No. 155682, 27 March 2007, 519 SCRA 93. Revenue Regulation No. 6-85 (as amended) enumerated the following requisites:

(a) that the claim was filed within the two-year prescriptive period provided in Section 229 of the Tax Code;
(b) that the return showed that the income payment received was declared as part of the gross income and
(c) that the fact of withholding was established by a copy of a statement duly issued by the payor to the payee showing the amount paid and the amount of tax withheld therefrom.

[9] Decision penned by Associate Judge Amancio Q. Saga (retired) and concurred in by Presiding Judge Ernesto Acosta of the CTA. Dated June 4, 2001. CA rollo, pp. 63-73.

[10] The CTA computed the amount of refund as follows:

Creditable taxes withheld in 1997 (by Warner Bros.)

P6,360,830.59

Less: Creditable taxes withheld pertaining to the discrepancy

in 1997 gross income as reflected in the ITR and in the certificate

Gross income from film rentals (certificate)

P127,216,611.80

Gross income from film rentals (1997 ITR)

(125,717,841.00)

DISCREPANCY

P 1,498,770.80

% of discrepancy

1.178125%

Multiplied by creditable taxes withheld

per certificate

P6,360,830.59

(74,938.45)

Creditable taxes withheld in 1997 pertaining to the

income declared in the 1997 income tax return

P6,285,892.05

[11] Under Rule 65 of the Rules of Court.

[12] Docketed as CA-G.R. SP No. 65211.

[13] Decision penned by Associate Justice Salvador J. Valdez, Jr. and concurred in by Associate Justices Juan Q. Enriquez, Jr. and Vicente Q. Roxas of the Eighth Division of the Court of Appeals. Dated January 31, 2005. Rollo, pp. 33-46.

[14] Resolution dated August 31, 2005. Id., p. 47.

[15] Under Rule 45 of the Rules of Court.

[16] Commissioner of Internal Revenue v. Mirant Pagbilao Corporation, G.R. No. 159593, 16 October 2003, 504 SCRA 484, 504-505. (citations omitted)

[17] Supra note 10.

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