CTA Form No. 8

23-000107-0003

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

FIRST DIVISION

CTA CASE NO. 11108

METROPOLITAN MANILA DEVELOPMENT AUTHORITY,
Petitioner,

- versus -

NOTICE OF RESOLUTION

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

To:

ATTY. TOMAS M. GUNO
ATTY. HERBERT J. BLAS
1517 15th Floor, AIC Burgundy Empire Tower,
ADB Avenue corners Garnet and Sapphire Roads,
Ortigas Center, Pasig City

COMMISSIONER OF INTERNAL REVENUE
Thru: Litigation Division
Bureau of Internal Revenue
BIR National Office Building
BIR Road, Diliman, Quezon City

GREETINGS:

You are hereby notified by these presents that on **May 26, 2023**, a Resolution was rendered in the above-entitled case, copy of which is attached hereto.

Quezon City, Philippines, **May 30, 2023.**

Atty. Maria Johoanna F. Chan-Te
Executive Clerk of Court II

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
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FIRST DIVISION

METROPOLITAN MANILA DEVELOPMENT AUTHORITY, *Petitioner,*	**CTA Case No. 11108**
	Members:
	DEL ROSARIO, *P.J., Chairperson,* **MANAHAN,** *and* **REYES-FAJARDO,** *JJ.*
- *versus* -	
COMMISSIONER OF INTERNAL REVENUE, *Respondent.*	Promulgated: MAY 26 2023; 1:06 PM

x -x

RESOLUTION

On March 27, 2023, petitioner Metropolitan Manila Development Authority (MMDA) filed its *Petition for Review (with Motion to Suspend Collection of Tax Liability and to Dispense with the Posting of Surety Bond).*

A perusal of the Petition for Review shows that the same is dismissible for being a dispute solely between two government agencies, following the ruling in *Power Sector Assets and Liabilities Management Corporation v. Commissioner of Internal Revenue* (PSALM case).[1] In PSALM, the Supreme Court *En Banc* ruled that the administrative procedure in Presidential Decree No. (PD) 242 (now embodied in Executive Order No. 292, otherwise known as the Administrative Code of 1987) should be followed in disputes and claims solely between government agencies and offices, including government-owned or controlled corporations. Thus, it explained:

> ... This case involves a dispute between PSALM and NPC, **which are both wholly government-owned corporations, and the BIR, a government office, over the imposition of VAT on the sale of the two power plants**. There is no question that **original** jurisdiction is with the CIR, who issues the preliminary and the final tax assessments. However, if the government entity disputes the tax

[1] G.R. No. 198146, August 8, 2017.

> assessment, the dispute is already between the BIR (represented by the CIR) and another government entity, in this case, the petitioner PSALM. **Under Presidential Decree No. 242 (PD 242), all disputes and claims *solely* between government agencies and offices, including government-owned or controlled corporations, shall be administratively settled or adjudicated by the Secretary of Justice, the Solicitor General, or the Government Corporate Counsel, depending on the issues and government agencies involved**. As regards cases involving only questions of law, it is the Secretary of Justice who has jurisdiction. xxx
>
> xxx
>
> The law is clear and covers "***all disputes, claims and controversies solely* between or among the departments, bureaus, offices, agencies and instrumentalities of the National Government, including constitutional offices or agencies arising from the interpretation and application of statutes, contracts or agreements.**" xxx
>
> The purpose of PD 242 is to provide for a **speedy and efficient administrative settlement or adjudication of disputes between government offices or agencies under the Executive branch, as well as to filter cases to lessen the clogged dockets of the courts.** xxx (*emphasis in the original)*

In *The Department of Energy v. Court of Tax Appeals*,[2] the Supreme Court declared that PSALM remains a good law and need not be revisited. It was also reiterated that:

> Here, the NIRC and R.A. No. 1125, and specifically their provisions on the jurisdiction of the CTA over tax disputes involving tax laws enforced by the BIR, should be read as general provisions governing the settlement of disputes involving tax claims. These provisions apply to the resolution of this general class of tax cases involving all persons, without exception. Stated more simply, they apply with equal force to *all persons* involved in disputes pertaining to *all tax claims* arising from *all tax laws* being implemented by the BIR.
>
> In clear contrast, P.D. No. 242, as now embodied in the Revised Administrative Code, applies only to particular persons involved in a uniquely specific category of cases – disputes, claims, and controversies where all the parties are government entities. The Court's ruling in *City of Manila v. Teotico, Bagatsing v. Ramirez,* and other similar cases, dictate that an interpretation of P.D. No. 242 as a special law that functions as an exception to the general rule on the jurisdiction of courts, such as the CTA, to resolve disputes.

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[2] G.R. No. 260912, August 17, 2022.

Where the dispute involves government entities on opposing sides, P.D. No. 242, as embodied in the Revised Administrative Code, determines, in the first instance, the mode of dispute resolution.

In ruling that P.D. No. 242 is the special law (as opposed to R.A. No. 1125 and the NIRC), the Court also takes into consideration the rationale for the enactment of P.D. No. 242. The First and Second Whereas Clauses of P.D. No. 242 provide:

> "WHEREAS, it is necessary in the public interest to provide for the administrative settlement or adjudication of disputes, claims and controversies between or among government offices, agencies and instrumentalities, including government-owned or controlled corporations, **to avoid litigation in court where government lawyers appear for such litigants to espouse and protect their respective interests although, in the ultimate analysis, there is but one real party in interest the Government itself in such litigations;**
>
> WHEREAS, court cases involving the said government entities and instrumentalities have needlessly contributed to the clogged dockets of the courts, aside from dissipating or wasting the time and energies not only of the courts but also of the government lawyers and the considerable expenses incurred in filing and prosecution of judicial actions; (*emphasis supplied*)

In the performance of our Constitutional duty to interpret laws, it is essential that the Court do so with due regard to legislative intent. Given the purpose animating the enactment of P.D. No. 242, the Court must read it as a special law to govern the resolution of disputes involving government agencies. It is only by reading P.D. No. 242 as an exception to the general rule governing the jurisdiction of the CTA over tax disputes that the Court will be able to respect and uphold the legislative intent to submit all inter-governmental disputes to the jurisdiction of the Executive in the pursuit of avoiding litigation in cases where the opposing parties ultimately represent the government as the sole real party-in-interest. A contrary reading of P.D. No. 242 would defeat the purpose for its enactment as an entire class of cases (*i.e.*, tax cases under the jurisdiction of the CTA) would operate outside its ambit, thereby significantly limiting the Government's ability to resolve internal disputes and further clogging the CTA's dockets.

xxx

> This Court concedes that taxes are not ordinary claims for they are central to the very existence of government. Time and again, we have held that "taxes are the lifeblood of the government, and their prompt and certain availability an imperious need."
>
> Subjecting tax disputes among government agencies to administrative settlement does not contravene this precept.
>
> Tax disputes concerning the BIR and other national government agencies are unique in the sense that taxes that might be due are already public funds. Regardless of the dispute's outcome, they will be dedicated for a public purpose..."

Applying the foregoing, the CTA has no jurisdiction over the instant case involving a tax dispute between the MMDA and the BIR, which are both government agencies.

WHEREFORE, the instant Petition for Review is **DISMISSED** for lack of jurisdiction.

SO ORDERED.

ROMAN G. DEL ROSARIO
Presiding Justice

CATHERINE T. MANAHAN
Associate Justice

MARIAN IVY F. REYES-FAJARDO
Associate Justice