REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

COMMISSIONER OF INTERNAL REVENUE, *Petitioner,*	**CTA EB NO. 3016** (CTA Case No. 10273)
	Present:
-versus-	**RINGPIS-LIBAN,** *P.J.,* **BACORRO-VILLENA, MODESTO-SAN PEDRO, REYES-FAJARDO, CUI-DAVID, FERRER-FLORES,** *and* **ANGELES,** *JJ.*
TULLET PREBON (PHILIPPINES), INC., *Respondent.*	Promulgated: MAR 16 2026 4:20

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DECISION

RINGPIS-LIBAN, *P.J.*:

The Case

Before the Court *En Banc* is a *Petition for Review* filed by the Commissioner of Internal Revenue (CIR) pursuant to Section 3(b) of Rule 8 of the Revised Rules of the Court of Tax Appeals, as amended (RRCTA).[1] Petitioner seeks the

[1] SEC. 3. *Who may appeal; period to file petition.* –

xxx xxx xxx

(b) A party adversely affected by a decision or resolution of a Division of the Court on a motion for reconsideration or new trial may appeal to the Court by filing before it a petition for review within fifteen days from receipt of a copy of the questioned decision or resolution. Upon proper motion reversal of the June 28, 2024 Amended Decision and the October 8, 2024 Resolution of the Special First Division of the Court of Tax Appeals (CTA), which partially granted the taxpayer's petition and ordered the Commissioner of Internal Revenue (CIR) to refund the amount of PhP7,456,064.79 representing the taxpayer's excess and unutilized Creditable Withholding Taxes (CWT) for the Calendar Year (CY) ended December 31, 2017.

The Parties

Petitioner CIR is the Commissioner of the Bureau of Internal Revenue (BIR), the government agency in charge of, among others, the assessment and collection of all national internal revenue taxes, fees, and charges and act upon and approve claims for refund or tax credit as provided by law.[2]

Respondent Tullet Prebon (Philippines), Inc. (taxpayer) is a domestic corporation duly organized and existing under Philippine laws. It is incorporated with the primary purpose of operating as a broker between market participants in transactions involving, but not limited to, foreign exchange, deposits, interest rate instruments, fixed income securities, bonds/bill, repurchase agreements of fixed income securities, certificates of deposit, bankers acceptances, bills of exchange; over-the-counter options of the aforementioned instruments, lesser developed country (LDC) debt, energy and stock indexes, and all related, similar or derivative products other than acting as a broker for the trading of securities pursuant to the Revised Securities Act of the Philippines. It is a registered taxpayer of the BIR Large Taxpayers District Office (LTDO), Revenue District Office No. 122.[3]

The Facts

The facts as found by the court *a quo* were narrated as follows:

On September 30, 2019, the taxpayer filed with the BIR Regular Large Taxpayers Audit Division II an *Application for Tax Credits/Refunds* (BIR Form No. 1914) with the letter dated August 7, 2019, requesting for the issuance of a tax credit certificate in the amount of PhP8,574,699.00 representing unutilized CWTs for CY 2017.[4]

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and the payment of the full amount of the docket and other lawful fees and deposit for costs before the expiration of the reglementary period herein fixed, the Court may grant an additional period not exceeding fifteen days from the expiration of the original period within which to file the petition for review. (*Rules of Court, Rule 42, sec. 1a*)

[2] The CIR's *Petition for Review, Rollo*, p. 10.
[3] The taxpayer's *Petition for Review*, Docket, Vol. I, pp. 14-15.
[4] January 30, 2024 Decision, Docket, Vol. II, p. 736.

Subsequently, on April 8, 2020, the taxpayer filed its judicial claim with the court *a quo*.[5]

The Pre-Trial Conference, which was initially set on November 12, 2020, was reset to March 11, 2021, then further reset to and finally held on May 20, 2021. The CIR filed its *Pre-Trial Brief* on November 6, 2020, while the taxpayer filed its *Pre-Trial Brief* on November 9, 2020. The parties submitted their *Joint Stipulation of Facts and Issues* on June 9, 2021. The same was approved by the Court in a *Resolution* dated June 30, 2021, and Pre-Trial was deemed terminated. The Court issued the *Pre-Trial Order* dated July 7, 2021.[6]

On December 1, 2021, the CIR transmitted the BIR Records.[7]

Trial ensued, with both parties presenting and offering their respective documentary and testimonial evidence.

The taxpayer presented the following witnesses: (1) Mr. Philip G. Arabia, its Finance Manager; and (2) Ms. Maria Gracia L. Morfe, the Court-commissioned Independent Certified Public Accountant (ICPA). The ICPA submitted her *Amended Report* on November 29, 2021.[8]

On December 14, 2021, the taxpayer filed its *Formal Offer of Evidence*. The CIR submitted a *Comment (On Petitioner's Formal Offer of Evidence)* on December 20, 2021.[9]

In a *Resolution* dated March 21, 2022, the Court admitted the taxpayer's exhibits, except for: (1) Exhibit "P-1," for failure of the document offered and identified to correspond with the document marked; (2) Exhibits "P-25," "P-328," "P-347," "P-1342," "P-1871," and "P-2050," for not being found in the records of the case; and (3) Exhibits "P-751 to P-753," for not being found in the records of the case. Upon *Motion for Partial Reconsideration (Re: Resolution dated March 21, 2022)* filed on April 18, 2022 without respondent's comment or opposition, the Court admitted Exhibits "P-1," "P-25," "P-278-1," "P-1342," and "P-1871."[10]

Thereafter, the CIR presented Revenue Officer Cheryl G. Arbues as the lone witness.[11]

The CIR filed a *Formal Offer of Evidence* on September 30, 2022. Then the taxpayer filed its *Comment (Re: Respondent's Formal Offer of Evidence)* on October 13, 2022. In a *Resolution* dated November 21, 2022, the Court admitted all the CIR's offered exhibits.[12]

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[5] *Id.*
[6] *Id.*
[7] *Id.*
[8] *Id.*, pp. 736-737.
[9] *Id.*, p. 737.
[10] *Id.*
[11] *Id.*
[12] *Id.*

Finally, the taxpayer filed its *Memorandum* on December 28, 2022. The CIR failed to file a memorandum.[13]

The case was submitted for decision on January 30, 2023.[14]

On January 30, 2024, the court *a quo* decided the case in favor of the taxpayer *partially granting* a refund of PhP6,978,758.87.[15]

Upon the CIR's *Motion for Partial Reconsideration (Re: Decision dated 30 January 2024)* and the taxpayer's *Motion for Motion for Partial Reconsideration*, the court *a quo* issued the assailed *Amended Decision* dated June 28, 2024. The assailed *Amended Decision*, denied the CIR's motion but partially granted the taxpayer's. It increased the refund amount to PhP7,456,064.79.[16]

Upon the CIR's *Motion for Partial Reconsideration (Re: Amended Decision dated 28 June 2024)*, with the taxpayer's *Comment (Re: CIR's Motion for Reconsideration dated July 18, 2024)*, the court *a quo* issued the assailed *Resolution* dated October 8, 2024, which denied the CIR's motion for lack of merit. The taxpayer did *not* ask for a reconsideration of the assailed *Amended Decision.*[17]

Proceedings before the Court **En Banc**

On October 28, 2024, the CIR filed a *Motion for Extension of Time to File Petition for Review.*[18]

On October 30, 2024, the Court issued a *Minute Resolution*, which granted the CIR a non-extendible period of fifteen (15) days from October 26, 2024 or until November 10, 2024 to file a *Petition for Review.*[19]

On November 11, 2024, the CIR filed a *Petition for Review.*[20]

On January 7, 2025, the Court issued a *Minute Resolution*, which directed the taxpayer to file a comment on the CIR's *Petition for Review* within ten (10) days from notice.[21]

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[13] *Id.*, p. 738.
[14] *Id.*
[15] *Decision* dated January 30, 2024, Docket, Vol. II, pp 735-750.
[16] *Amended Decision* dated June 28, 2024, Docket, Vol. II, pp 800-811.
[17] *Resolution* dated October 8, 2024, Docket, Vol. II, pp 800-811.
[18] *Rollo*, pp. 1-4.
[19] *Rollo*, p. 8. November 10, 2024 was a Sunday.
[20] *Rollo*, pp. 9-18.
[21] *Rollo*, p. 63.

On January 24, 2025, the taxpayer filed a *Comment (Re: Petition for Review dated October 8, 2024)*.[22] This was noted in a *Minute Resolution* dated February 6, 2025, which also submitted the case for decision.

Assignment of Error

The CIR raised a single assignment of error for the Court to resolve:

> "The Honorable Court erred in ruling that respondent is entitled to the claim for refund of alleged excess and unutilized CWT for CY 2017"[23]

The Arguments of the Parties

Petitioner CIR's Arguments

Petitioner CIR assails the *Amended Decision* and states that the taxpayer is *not* entitled to the claim for refund of the alleged excess and unutilized CWT. The CIR adds that it is imperative for the taxpayer to show the CTA that it is not only entitled under substantive law to his claim, but also that he satisfied all the documentary requirement for an administrative claim. Furthermore, the CIR stresses that claims for refund are construed *strictly* against the taxpayer and in favor of the government.[24]

Respondent Taxpayer's Arguments

In its *Comment (Re: Petition for Review dated October 8, 2024)*,[25] respondent taxpayer counters that the evidence it submitted sufficiently proves that the income from which the CWTs being claimed for refund were withheld was included in the gross income reported in its Income Tax Return (ITR).[26] Further, the taxpayer states that the presentation of the Certificates of Creditable Taxes Withheld at Source (BIR Form No. 2307) issued by the withholding agents constitute sufficient proof of the existence and validity of its CWTs.[27] It counters that the CIR failed to substantiate his argument as to why the claim for refund should be denied for non-compliance with Revenue Memorandum Order No. (RMO) 53-98 and Revenue Regulations No. (RR) 2-2006, which are not essential to prove entitlement to the claim[28] and that it is *not* necessary for the payors to be presented to authenticate the Certificates of Creditable Taxes Withheld at Source, as these certificates *alone* are sufficient to establish the fact of withholding.[29] Finally, cases filed before the CTA are litigated *de novo*, hence, the

[22] *Rollo*, pp. 64-87.
[23] *Petition for Review, Rollo*, p. 12.
[24] *Id., Rollo*, pp. 12-16.
[25] *Comment (Re: Petition for Review dated October 8, 2024), Rollo*, pp. 64-87.
[26] *Id., Rollo*, pp. 68-69.
[27] *Id., Rollo*, pp. 69-74.
[28] *Id., Rollo*, pp. 74-78.
[29] *Id., Rollo*, pp. 78-80.

court *a quo* may accept evidence that was not presented at the administrative level.[30]

<u>The Ruling of the Court *En Banc*</u>

The Petition for Review with the Court En Banc *was timely filed.*

Before the Court sets out to discuss the merits of the petition, it is important to dispense with its jurisdictional aspect.

Petitioner CIR received a copy of the assailed *Amended Decision* through the Office of the Solicitor General (OSG) on July 4, 2024.[31] Under Rule 15 Section 1 of the RRCTA,[32] the CIR had fifteen (15) days to file a motion for reconsideration of the decision, or until July 19, 2024. The CIR filed a *Motion for Partial Reconsideration (Re: Amended Decision dated 28 June 2024)* on July 18, 2024.[33]

This petition was filed under Section 18 of RA 1125, as amended by RA 9282. Section 18 of RA 1125, as amended by RA 9282[34] in relation to Rule 8 Section 3(b) of the 2005 RRCTA,[35] provides that a party may appeal the

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[30] *Id., Rollo*, pp. 80-82.

[31] *Notice of Decision*, Division Docket, Vol. II, p. 799.

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RULE 15

MOTION FOR RECONSIDERATION OR NEW TRIAL

SECTION 1. *Who may and when to file motion.* – Any aggrieved party may seek a reconsideration or new trial of any decision, resolution or order of the Court. He shall file a motion for reconsideration or new trial within fifteen days from the date he received notice of the decision, resolution or order of the Court in question. (RCTA, Rule 13, sec. 1a)

[33] Division Docket, Vol. II, p. 812.

[34] SECTION 18. *Appeal to the Court of Tax Appeals En Banc.* — No civil proceeding involving matter arising under the National Internal Revenue Code, the Tariff and Customs Code or the Local Government Code shall be maintained, except as herein provided, until and unless an appeal has been previously filed with the CTA and disposed of in accordance with the provisions of this Act.

A party adversely affected by a resolution of a Division of the CTA on a motion for reconsideration or new trial, may file a petition for review with the CTA *en banc.*

[35] SEC. 3. *Who may appeal; period to file petition.* —

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(b) A party adversely affected by a decision or resolution of a Division of the Court on a motion for reconsideration or new trial may appeal to the Court by filing before it a petition for review within fifteen days from receipt of a copy of the questioned decision or resolution. Upon proper motion and the payment of the full amount of the docket and other lawful fees and deposit for costs before the expiration of the reglementary period herein fixed, the Court may grant an additional period not exceeding fifteen days from the expiration of the original period within which to file the petition for review.

resolution of a division of the Court by filing a petition for review or a motion for extension of time to file the petition with the Court *En Banc* within fifteen (15) days from receipt of the questioned resolution.

On October 15, 2024, the CIR's counsel, the OSG, received the October 8, 2024 *Resolution*, which denied the CIR's motion.[36] The CIR, therefore, had fifteen (15) days from October 15, 2024 or until October 30, 2024[37] to file a petition or a motion for an extension to file a petition. On October 28, 2024, the CIR filed a *Motion for Extension of Time to File Petition for Review.*[38]

On October 30, 2024, the Court issued a *Minute Resolution*, which granted the CIR a non-extendible period of fifteen (15) days from October 26, 2024 or until November 10, 2024, a Sunday, to file a *petition.*[39]

On November 11, 2024, the CIR filed a *Petition for Review.*[40]

Accordingly, since the *Petition for Review* was filed within the reglementary period, the Court *En Banc* can take cognizance of the present case.

However, although timely filed, the petition is *bereft of merit.*

Findings of facts of the court* a quo *will not be disturbed absent a showing of grave abuse of discretion.

In the petition, the CIR raises two points that are legal in nature: *one*, the petition filed before the court a quo was an appeal of an unsuccessful administrative claim and was *not* an original action; and, *two*, claims for refund are construed strictly against the taxpayer and in favor of the government.

Significantly, the CIR does *not* dispute the facts narrated by the court *a quo*. Rather, the CIR *adopted* the factual findings of the court *a quo*[41] and incorporated them into the petition under consideration by the Court.

In *Heirs of Teresita Villanueva, et al. v. Heirs of Petronila Syquia Mendoza, et al.*,[42] the Supreme Court ruled that:

> "Findings of fact made by a trial court are accorded the highest degree of respect by an appellate tribunal and, absent a clear disregard of the evidence before it that can otherwise affect the results of the case, those findings should not simply be ignored.

[36] *Notice of Resolution*, Division Docket, Vol. II, p. 850.
[37] The original deadline fell on September 21, 2024, a Saturday.
[38] *Rollo*, pp. 1-4.
[39] *Rollo*, p. 8.
[40] *Rollo*, pp. 9-18.
[41] *Rollo*, p. 11.
[42] G.R. No. 209132, June 05, 2017.

Absent any clear showing of abuse, arbitrariness, or capriciousness committed on the part of the lower court, its findings of facts are binding and conclusive upon the Court. The reason for this is because the trial court was in a much better position to determine which party was able to present evidence with greater weight." *(Underscoring added)*

More specifically, in *Republic of the Philippines, represented by the Commissioner of Internal Revenue v. Team (Phils.) Energy Corporation (Formerly Mirant (Phils.) Energy Corporation*,[43] the Supreme Court ruled that the findings of facts of the CTA, acting as a trier of facts, are accorded with the highest degree of respect:

"With regard to the second requirement, it is fundamental that the <u>findings of fact by the CTA in Division are not to be disturbed without any showing of grave abuse of discretion considering that the members of the Division are in the best position to analyze the documents presented by the parties</u>. Consequently, we adopt the findings of the CTA in Division, which the CTA *En Banc* cited, as follows." *(Underscoring added)*

Factual findings of the CTA, a specialized court exercising expertise on taxation, are generally regarded as final, binding, and conclusive.[44] Thus, in the absence of any allegations or evidence to the contrary, this Court will *not* disturb the facts that have been settled by the court *a quo*.

Cases filed in the court* a quo *are litigated* de novo, *thus, the taxpayer should prove every minute aspect of its case.

The CIR advances the view that the court *a quo*, as an appellate court, was bound to review the appealed administrative claim. Thus, the CIR concludes that *only* those pieces of evidence presented by the taxpayer in its administrative claim for refund are the ones that should be presented in the judicial appeal with the court *a quo*.[45] The CIR quotes *Atlas Consolidate Mining and Development Corporation v. Commissioner of Internal Revenue*[46] as authority for this view:

"Petitioner's [taxpayer's] contention that non-compliance with Revenue Regulations 3-88 could not have adversely affected its case in the CTA indicates a failure on its part to appreciate the nature of the proceedings in that court. First, a judicial claim for refund or tax credit in the CTA is by no means an original action but rather an *appeal* by way of petition for review of a

[43] G.R. No. 188016, January 14, 2015.
[44] *Commissioner of Internal Revenue v. Deutsche Knowledge Services, Pte. Ltd.*, G.R. Nos. 226548 & 227691, 226682-83, February 15, 2023.
[45] *Rollo*, pp. 13-15.
[46] G.R. No. 145526, March 16, 2007.

> previous, unsuccessful administrative claim. Therefore, as in every appeal or petition for review, a petitioner has to convince the appellate court that the quasi-judicial agency *a quo* did not have any reason to deny its claims. In this case, it was necessary for petitioner to show the CTA not only that it was entitled under substantive law to the grant of its claims but also that it satisfied all the documentary and evidentiary requirements for an administrative claim for refund or tax credit. Second, cases filed in the CTA are litigated *de novo*. Thus, a petitioner should prove every minute aspect of its case by presenting, formally offering and submitting its evidence to the CTA. Since it is crucial for a petitioner in a judicial claim for refund or tax credit to show that its administrative claim should have been granted in the first place, part of the evidence to be submitted to the CTA must necessarily include whatever is required for the successful prosecution of an administrative claim."

First, a reading of the *Atlas* case does *not* support the CIR's view. *Atlas* involved a refund claim of input VAT, which was denied by the CTA and the Court of Appeals (CA) for evidentiary reasons. Specifically, the CTA denied the taxpayer's claims on the grounds of prescription and insufficiency of evidence. On appeal to the CA, the CA reversed the CTA's ruling on the matter of prescription but affirmed the latter's decision in all other respects. The Supreme Court affirmed the denial of the claim and held that both "courts correctly observed that petitioner never submitted any of the invoices or receipts required by the foregoing rules and held this omission to be fatal to its cause."

More importantly, there is nothing in *Atlas* that supports the CIR's contention that "only those pieces of evidence presented by the taxpayer in its administrative claim" should have been considered by the court *a quo* in deciding the judicial claim. What is clear in *Atlas* is that because the judicial claims are litigated *de novo*, the taxpayer must *again* present the evidence in support of its claim with the court *a quo*. *Atlas*, however, does not limit the court *a quo* to consider only those pieces of evidence presented in the administrative claim.

Atlas was reiterated in the 2023 case of *Commissioner of Internal Revenue v. Deutsche Knowledge Services, Pte. Ltd* where the Supreme Court again said that the taxpayer-claimant should prove every minute aspect of its case "by presenting, formally offering, and submitting its evidence to the CTA. The appreciation of the evidence still lies within the sound discretion of the court."[47]

Contrary to the CIR's position, *Atlas* did *not* diminish the power of the court *a quo*. Its prime consideration remains the ascertainment of truth.[48] Thus, it still possesses the means necessary to carry its jurisdiction into effect, a power based on Rule 135, Section 6 of the Rules of Court, thus:

> "Sec. 6. *Means to carry jurisdiction into effect.*—When by law jurisdiction is conferred on a court or judicial officer, all auxiliary writs, processes and other means necessary to carry it into effect may be employed by such court or

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[47] G.R. Nos. 226548 & 227691, 226682-83, February 15, 2023.
[48] *Commissioner of Internal Revenue v. Marily Development Corp.*, G.R. No. 263794, April 2, 2025.

officer; and if the procedure to be followed in the exercise of such jurisdiction is not specifically pointed out by law or by these rules, any suitable process or mode of proceeding may be adopted which appears conformable to the spirit of said law or rules."

Finally, in *Commissioner of Internal Revenue v. Univation Motor Philippines, Inc.*,[49] a case of inaction by the CIR on a CWT refund claim like this case, the Supreme Court held that the taxpayer is allowed to present *new and additional* evidence with the court *a quo* in support of its judicial claim:

> "In this case, it was the inaction of petitioner CIR which prompted respondent to seek judicial recourse with the CTA. Petitioner CIR did not send any written notice to respondent informing it that the documents it submitted were incomplete or at least require respondent to submit additional documents. As a matter of fact, petitioner CIR did not even render a Decision denying respondent's administrative claim on the ground that it had failed to submit all the required documents.
>
> Considering that the administrative claim was never acted upon, there was no decision for the CTA to review on appeal *per se*. <u>However, this does not preclude the CTA from considering evidence that was not presented in the administrative claim with the BIR</u>. Thus, RA No. 1125 states:
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>> Section 8. *Court of record; seal; proceedings.* — The Court of Tax Appeals shall be a court of record and shall have a seal which shall be judicially noticed. It shall prescribe the form of its writs and other processes. It shall have the power to promulgate rules and regulations for the conduct of the business of the Court, and as may be needful for the uniformity of decisions within its jurisdiction as conferred by law, but such proceedings shall not be governed strictly by technical rules of evidence.
>
> The law creating the CTA specifically provides that proceedings before it shall not be governed strictly by the technical rules of evidence. The paramount consideration remains the ascertainment of truth. Thus, the CTA is not limited by the evidence presented in the administrative claim in the Bureau of Internal Revenue. The claimant may present new and additional evidence to the CTA to support its case for tax refund.
>
> Cases filed in the CTA are litigated *de novo* as such, respondent 'should prove every minute aspect of its case by presenting, formally offering and submitting x x x to the Court of Tax Appeals all evidence x x x required for the successful prosecution of its administrative claim.' <u>Consequently, the CTA may give credence to all evidence presented by respondent, including those that may not have been submitted to the CIR as the case is being essentially decided in the first instance</u>." (*Underscoring supplied and citations omitted*)

Not all claims for tax refund are in the nature of tax exemptions and consequently construed strictly against the taxpayer.

[49] G.R. No. 231581, April 10, 2019.

A claim for tax refund may be based on a statute granting tax exemption. In such case, the claim is to be construed *strictissimi juris* against the taxpayer. Where the rule of strict interpretation against the taxpayer is applicable as the claim for refund partakes of the nature of an exemption, the claimant must show that he clearly falls under the exempting statute. On the other hand, a tax refund may be predicated on tax refund provisions allowing a refund of erroneous or excess payment of tax. The return of what was erroneously paid is founded on the principle of *solutio indebiti*, a basic postulate that no one should unjustly enrich himself at the expense of another.[50]

This case involves the recovery of erroneously or illegally collected CWT based on Section 204(C)[51] and 229[52] of the Tax Code, as amended.[53]

In the recent case of *Commissioner of Internal Revenue v. Sonoma Services, Inc.*,[54] the Supreme Court ruled that the taxpayer successfully discharged its burden of proving its entitlement to the claimed CWT refund and, therefore, affirmed the grant of refund by the CTA:

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[50] *Commissioner of Internal Revenue v. Mirant Pagbilao Corp.*, G.R. No. 172129, September 12, 2008.

[51] Section 204. *Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes* - The Commissioner may—

(A) Compromise the payment of any internal revenue tax when:

xxx xxx xxx

(B) Abate or cancel a tax liability when:

xxx xxx xxx

(C) Credit or refund taxes erroneously or illegally received or penalties imposed without authority; refund the value of internal revenue stamps when they are returned in good condition by the purchaser; and, in his discretion, redeem or change unused stamps that have been rendered unfit for use and refund their value upon proof of destruction. No credit or refund of taxes or penalties shall be allowed unless the taxpayer files in writing with the Commissioner a claim for credit or refund within two (2) years after the payment of the tax or penalty: *Provided, however*, That a return filed showing an overpayment shall be considered as a written claim for credit or refund."

[52] "Section 229. *Recovery of Tax Erroneously or Illegally Collected*. — No suit or proceeding shall be maintained in any court for the recovery of any national internal revenue tax hereafter alleged to have been erroneously or illegally assessed or collected, or of any penalty claimed to have been collected without authority, or of any sum alleged to have been excessively or in any manner wrongfully collected, until a claim for refund or credit has been duly filed with the Commissioner; but such suit or proceeding may be maintained, whether or not such tax, penalty, or sum has been paid under protest or duress.

In any case, no such suit or proceeding shall be filed after the expiration of two (2) years from the date of payment of the tax or penalty regardless of any supervening cause that may arise after payment: Provided, however, That the Commissioner may, even without a written claim therefor, refund or credit any tax, where on the face of the return upon which payment was made, such payment appears clearly to have been erroneously paid."

[53] Please see *Decision* dated January 30, 2024, Docket, Vol. II, p. 739.
[54] G.R. No. 263916, August 18, 2025.

"At the outset, it must be clarified that not all claims for tax refund are in the nature of tax exemptions and consequently construed strictly against the taxpayer. In *Commissioner of Internal Revenue v. Fortune Tobacco Corp.*, the Court distinguished claims based on a tax exemption or refund statute and those based on the quasi-contract of *solutio indebiti*:

> '[T]he Commissioner's contention that a tax refund partakes the nature of a tax exemption does not apply to the tax refund to which Fortune Tobacco is entitled. *There is parity between tax refund and tax exemption only when the former is based either on a tax exemption statute or a tax refund statute.* Obviously, that is not the situation here. Quite the contrary, Fortune Tobaccos claim for refund is premised on its erroneous payment of the tax, or better still the government's exaction in the absence of a law.
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> Tax exemption is a result of legislative grace. And he who claims an exemption from the burden of taxation must justify his claim by showing that the legislature intended to exempt him by words too plain to be mistaken. The rule is that tax exemptions must be strictly construed such that the exemption will not be held to be conferred unless the terms under which it is granted clearly and distinctly show that such was the intention.
>
> *A claim for tax refund may be based on statutes granting tax exemption or tax refund. In such case, the rule of strict interpretation against the taxpayer is applicable as the claim for refund partakes of the nature of an exemption, a legislative grace, which cannot be allowed unless granted in the most explicit and categorical language.* The taxpayer must show that the legislature intended to exempt him from the tax by words too plain to be mistaken.
>
> *Tax refunds (or tax credits), on the other hand, are not founded principally on legislative grace but on the legal principle which underlies all quasi-contracts abhorring a person's unjust enrichment at the expense of another.* The dynamic of erroneous payment of tax fits to a tee the prototypic quasi-contract, *solutio indebiti*, which covers not only mistake in fact but also mistake in law.
>
> The Government is not exempt from the application of *solutio indebiti*. Indeed, the taxpayer expects fair dealing from the Government, and the latter has the duty to refund without any unreasonable delay what it has erroneously collected. If the State expects its taxpayers to observe fairness and honesty in paying their taxes, it must hold itself against the same standard in refunding excess (or erroneous) payments of such taxes. It should not unjustly enrich itself at the expense of taxpayers. And so, *given its essence, a claim for tax refund necessitates only preponderance of evidence for its approbation like in any other ordinary civil case.*
>
> Under the Tax Code itself, apparently in recognition of the pervasive quasi-contract principle, a claim for tax refund may be based on the following: (a) erroneously or illegally assessed or collected internal revenue taxes; (b) penalties imposed without authority; and (c) *any sum alleged to have been excessive or in any manner wrongfully collected.*' (Emphasis supplied; citations omitted)

> The dichotomy between a claim for tax refund founded on a statutory grant and one predicated on the principle of *solutio indebiti* was outlined by the Court in *Fortune Tobacco.* A claim for tax refund based on a specific statute granting tax exemption or refund partakes of the nature of a tax exemption. As such, it is a mere legislative grace, viewed as a derogation of the State's sovereign power of taxation. Hence, the doctrine of *strictissimi juris* finds application. In stark contrast, a claim for refund that is premised on the taxpayer's erroneous payment of tax or the government's illegal exaction thereof is not founded on legislative grace but on the time-honored principle of *solutio indebiti.* Consequently, where the claim for refund is based on *solutio indebiti,* the taxpayer must simply establish his claim with the quantum of proof required in ordinary civil cases, *i.e.*, preponderance of evidence.
>
> In fine, the determinative factor is the very source of the right being invoked by the taxpayer. If the claim is anchored upon a specific legislative grant, the taxpayer must establish his right thereto with unerring clarity. If, however, the claim arises from an erroneous payment or illegal exaction by the State, the taxpayer need only establish his claim by a preponderance of evidence, as the claim is rooted not in privilege, but in the fundamental tenet of equity that the State shall not unjustly enrich itself at the expense of its taxpayers." (*Underscoring supplied; citations omitted*)

All told, the CIR failed to raise any issue that has successfully convinced the Court to modify or reverse the assailed *Amended Decision* and *Resolution* of the court *a quo.* The findings of fact of said court are *not* to be disturbed unless clearly shown to be unsupported by substantial evidence.[55]

ACCORDINGLY, the *Petition for Review* is **DENIED** for lack of merit. The assailed *Amended Decision* and the *Resolution* of the court *a quo* are **AFFIRMED**.

SO ORDERED.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

WE CONCUR:

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

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[55] *Commissioner of Internal Revenue v. Union Shipping Corporation and The Court of Tax Appeals,* G.R. No. L-66160, May 21, 1990.

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

Marian Ivy F. Reyes-Fajardo
MARIAN IVY F. REYES-FAJARDO
Associate Justice

LANEE S. CUI-DAVID
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice

HENRY S. ANGELES
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice