

# THE TAX COURT

## CREATION AND ELEVATION

The Court of Tax Appeals (CTA) came into being with the passage of Republic Act No. 1125 (R.A. 1125) on June 16, 1954. Due to its limited jurisdiction, it was composed then of only one (1) Division with three (3) Judges.

Through the enactment of another law, Republic Act Number 9282 (R.A. 9282), which took effect on April 23, 2004, the rank of the CTA was elevated to the level of a collegiate court, making it a co-equal body of the Court of Appeals. The CTA is now composed of a Presiding Justice and five (5) Associate Justices. It shall sit en banc, or in two (2) Divisions of three (3) Justices each. Decisions of a Division of the CTA may now be appealed to the CTA en banc and the latter's decisions are appealable to the Supreme Court, by verified petition for review on certiorari.

Being an integral part of the judicial branch of government, the CTA is under the supervision of the Supreme Court of the Philippines.

## EXPANDED JURISDICTION

Under Republic Act No. 9282, the jurisdiction of the CTA has been expanded to include not only civil tax cases but also cases that are criminal in nature, as well as local tax cases, property taxes and final collection of taxes.

Pursuant to the provisions of Republic Act No. 1125 and other laws prior to R.A. 9282, the Court of Tax Appeals retains exclusive appellate jurisdiction to review by appeal, the following:

1. Decisions of the Commissioner of Internal Revenue in cases involving disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties imposed in relation thereto, or other matters arising under the National Internal Revenue Code or other law or part of law administered by the Bureau of Internal Revenue;
2. Decisions of the Commissioner of Customs in cases involving liability for customs duties, fees or other money charges; seizure, detention or release of property affected; fines, forfeitures or other penalties imposed in relation thereto; or other matters arising under the Customs Law or other law or part of law administered by the Bureau of Customs [Rep. Act. No. 1125, (1954), Sec. 7];
3. In automatic review cases where such decisions of the Commission of Customs favorable to the taxpayer is elevated to the Secretary of Finance (Sec. 2315, TCC); and
4. Decisions of the Secretary of Trade and Industry, in the case of non-agricultural product, commodity or article, or the Secretary of Agriculture, in the case of agricultural product, commodity or article, in connection with the imposition of the Anti-Dumping Duty, Countervailing and Safeguard Duty [Republic Act Nos. 8751 and 8752, (1999) Sec. 301 (a) and (p), and Republic Act 8800].

Under Republic Act Number 9282, the CTA's original appellate jurisdiction was expanded to include the following:

1. Criminal cases involving violations of the National Internal Revenue Code and the Tariff and Customs Code;
2. Decisions of the Regional Trial Courts (RTC) in local tax cases;
3. Decisions of the Central Board of Assessment Appeals (CBAA) in cases involving the assessment and taxation of real property; and

4. Collection of internal revenue taxes and customs duties the assessment of which have already become final.

## Organization



The organizational structure of the CTA during the year 2005 remained the same up to July 26, 2005 when the Supreme Court En Banc approved the new staffing pattern of the CTA and sixteen (16) more urgent positions therein were filled.

Thus, as of December 31, 2005, the organizational set-up of the CTA is made up of the Office of the Presiding Justice, Office of the Associate Justices, Office of the Clerk of Court, the Legal and Technical Services Office, and the Office of Administrative and Financial Services.

The head of the Court is the Presiding Justice who, under R.A. 9282, has the same salary grade and enjoys the same privileges as that of the Presiding Justice of the Court of Appeals. He exercises managerial and administrative supervision over all the division heads and oversees the Court's operations.

The Presiding Justice is assisted in his adjudicative and administrative functions by the five (5) Associate Justices who have the same salary grade and enjoy the same privileges as that of the Associate Justices of the Court of Appeals.

The Office of the Clerk of Court is composed of one (1) Executive Clerk of Court III (Clerk of Court and who was designated on November 10, 2005 as Acting Executive Clerk of Court IV) and two (2) Executive Clerks of Court II (Deputy Clerks of Court who were promoted to Executive Clerks of Court III on November 10, 2005). They are under the direct supervision of the Justices and they perform primarily adjudicative support functions with some non-adjudicative or administrative functions.

The Chief of the Legal and Technical Services Office reviews and evaluates memoranda and reports on researches of the members of the staff on multifarious legal questions referred to them by the Justices before they are finally submitted to the same Justices for their consideration.

The Chief of Office of the Administrative and Financial Services oversees the Human Resource Division, Budget Division, Accounting Division, Cash Division, the Medical Unit, Property and Supply Division, General Services Division and implements Civil Service rules and regulations.

The Internal Audit Services and the Management and Information System Division are directly under the Office of the Presiding Justice. The Chief of the Internal Audit performs primarily pre-audit function in accordance with COA rules and regulations.

As of December 31, 2005, the Court had a total of eighty-three (83) authorized positions, composed of seventy-four (74) which came from the old plantilla and nine (9) newly created and authorized positions.

## **VISION/MISSION**

A Tax Court that is impartial, competent, transparent, ensuring faithful compliance with tax and related laws, and worthy of public trust and confidence.

To achieve its vision, the Court is guided by the following principles:

1. fair and speedy collection of taxes by the Government;
2. adequate judicial remedies to taxpayers against unreasonable/unjust tax assessments and refund of excessive/erroneous taxes collected;
3. proper interpretation of tax statutes;
4. adherence to the independence of the judiciary; and
5. utmost deference for public trust and confidence in the judiciary.

## **GOALS AND OBJECTIVES**

The Court's goals and objectives for the year were:

- A. Increased output in the disposition of tax and customs cases;
- B. Improved quality of promulgated decisions/resolutions;
- C. Enhanced efficiency of its general administration and support services;
- D. Strengthened efficiency and effectiveness of court personnel;
- E. Full support for the judiciary-wide reform programs; and
- F. Acquisition of additional facilities to accommodate the increasing number of cases and Court personnel.

## ACCOMPLISHMENTS

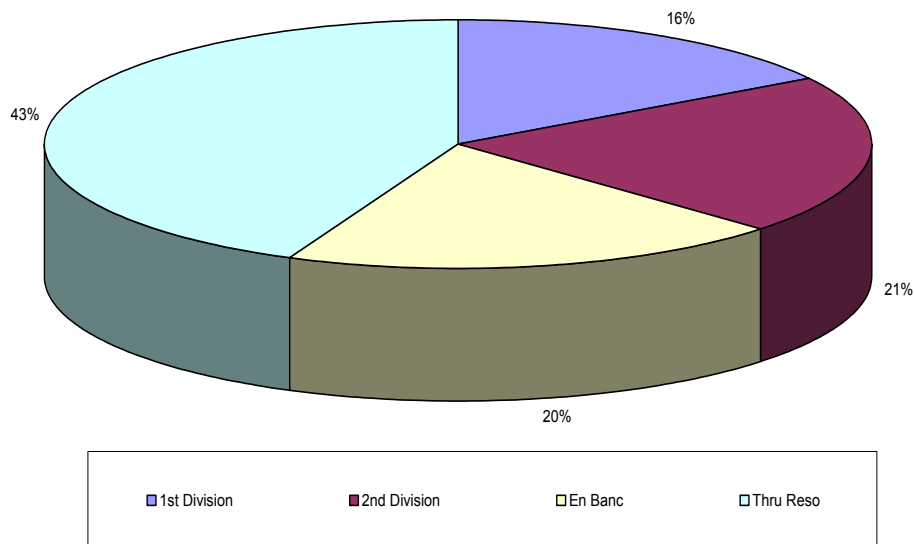
The following are the major accomplishments of the Court of Tax Appeals for year 2005:

- **The CTA exceeded its target/quota of disposed cases.**

As indicated in its budgetary proposal/programs for 2005, the CTA targeted to dispose of two hundred fifty (250) cases for the said year. However, through the implementation of R.A. 9282, the Court was able to realize its output of disposed cases which reached a total number of **259** decisions and resolutions, the breakdown of which are as follows:

No. of cases decided by the First Division . . . . .	42
No. of cases decided by the Second Division. . . . .	54
No. of cases decided by En Banc . . . . .	51
No. of cases disposed of by the two (2) divisions & En Banc through resolutions . . . . .	<u>112</u>
Total Number of Cases disposed of in 2005 . . . . .	<u>259</u>

Cases Disposed in 2005



The total number of disposed cases for year 2005 increased by fifty-two percent (52%) - from 170 in 2004 to 259 in 2005. The higher output is attributable to R.A. 9282 which doubled the number of Justices writing decisions and resolutions for the Court, and which also expanded not only the Court's jurisdiction but also the Court's personnel who are performing adjudicative support functions as well as administrative functions.

The data relative to appealed cases from the CTA Division Level to CTA En Banc, and from CTA En Banc to the Supreme Court, are the following:

No. of decided CTA division cases appealed to En Banc	50
No. of decided CTA division cases appealed to SC	2
No. of decided CTA En Banc cases appealed to SC	35
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Total	87
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Not all cases decided by the two (2) divisions of the Court were appealed to the Court En Banc and similarly, not all cases decided by the CTA En Banc were appealed to the Supreme Court. Thus:

No. of decided Division cases without appeal	44
No. of decided En Banc cases without appeal	16
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Total	60
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In terms of the amount or peso value, the 259 cases disposed by the Court represent about 3.8 billion pesos in taxes and duties litigated for the year. Shown below is a summary of the disposition of these cases according to subject/issue.

**Monetary Summary  
of CTA Decisions/Resolutions Awarded in Favor of the  
Government and the Taxpayers for Fiscal Year 2005**

	Respondent (government)	Petitioner (taxpayers)	Total
Claim/Refund	184,447,116.43	1,105,843,420.44	1,290,290,536.87
Assessment	1,570,940,998.35	708,302,119.79	2,279,243,118.14
Seizure/Forfeiture	253,959,763.47	1,493,186.05	255,452,949.52
<b>TOTAL (PhP)</b>	<b>2,009,347,878.25</b>	<b>1,815,638,726.28</b>	<b>3,824,986,604.53</b>
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- **The CTA was awarded an additional lot consisting of six thousand square meters (6,000 sq. m) through Presidential Proclamation No. 915 issued by Her Excellency President Gloria Macapagal Arroyo.**

The Court plans to build its second building on this lot and in fact, a groundbreaking ceremony on the said awarded lot was held on December 8, 2005, graced by then Chief Justice Hilario G. Davide, Jr. and Associate Justice Antonio T. Carpio. A portion of this lot not occupied by informal settlers was completely fenced in time for the groundbreaking ceremony.

- **Adopted programs and measures to improve the Court's operations and services.**

To guarantee the optimum efficiency of the Court's personnel and to enhance their efficiency and effectiveness, the following plans and activities were implemented, to wit:

- Associate Justices, lawyers, stenographers, accountants, clerks, finance and administrative officers were allowed to attend various meetings, seminars, workshops and training programs, enumerated hereunder, namely:
  - ✓ Forum on Foreign Exchange Remittances and the Country's Economic Future, Philamlife Tower, Makati, January 1, 2005;
  - ✓ CTA Project on Transcribing Stenographic Notes, Supreme Court, March 14, 2005;
  - ✓ Symposium on Laws and Related Jurisprudence on Documentary Stamp Tax, Makati Shangri-la, March 30, 2005;
  - ✓ 4<sup>th</sup> National Convention and Seminar of the Stenographic Reporter's Association of the Philippines, Central Philippines University, Iloilo City, April 13-15, 2005;
  - ✓ Technical Session on ICT Infrastructure Issues and Design (Server, Storage, Back-up, Network and Security), 3<sup>rd</sup> Flr., Citibank Center, 8741 Paseo de Roxas, Makati City, April 13-14, 2005;



- ✓ 10<sup>th</sup> National Convention of Lawyers, Camp John Hay, Baguio City, April 19-23, 2005;
- ✓ Sheriff Confederation of the Philippines Biennial National Convention Seminar and Election of Officers, Lucena City, April 27-29, 2005;
- ✓ Philippine Records Management Association 10<sup>th</sup> National Convention – “Records Management: Braving the E-World, Dusit Hotel, Makati City, May 30 - June 01, 2005;
- ✓ Training on Philippine Bidding Documents, Virata Hall, DAP Building, San Miguel Ave., Ortigas Center, Pasig City, June 29 to July 1, 2005;
- ✓ 3-Day Seminar on Web Development, Centennial Building, Supreme Court, August 2-4, 2005;
- ✓ PAGBA Seminar-Workshop “Productivity Enhancement Through Integrity and Transparency Program”, Grand Convention Center, Cebu City, August 17-20, 2005;
- ✓ Mandatory Continuing Education, 2<sup>nd</sup> Flr., Bocobo Hall, Quezon City, September 19-23, 2005;
- ✓ Accounting for Non-Accountant, Valle Verde Country Club, Pasig City, August 22-23, 2005;
- ✓ Seminar on PAS/IAS & PFRSI/IFRS (International Accounting Standard), Manila Pavillion, September 15-16, 2005;
- ✓ Live-In Seminar for Court of Tax Appeals on Recent Development in Tax Laws and Jurisprudence, PHILJA Development Center, Tagaytay City, October 19-21, 2005;
- ✓ Meeting on Technical Assistance Program on Trade Remedies under the APEC Economic Integration Program, Oppen Building, Makati City, October 24, 2005;
- ✓ Seminar-Workshop on Administrative Discipline, Hotel Kimberly, Manila, November 8-9, 2005;
- ✓ Focus Group Discussion for the HRD/CB Plan for the Judiciary, Supreme Court, November 8, 2005;

- ✓ Focus Group Discussion for the HRD/CB Plan for the Judiciary, Supreme Court, November 9, 2005;
- ✓ Cash Management and Control System, COA, Central Office, November 9-11, 2005.
- Effective November 2005, the CTA through its Presiding Justice became a member of the Board of Trustees of the Philippine Judicial Academy;
- Personnel movements for the year included fifteen (15) promotions, twelve (12) original appointments, two (2) transferees, twelve (12) positions were upgraded, three (3) were changed from temporary to permanent status, one (1) retirement and one (1) resignation.
- Cash incentives were granted to all Court personnel and loyalty awards to deserving employees during the Court's Anniversary celebration on June 16, 2005.
- The research materials at the CTA Library were updated with the purchase of the latest books and materials in taxation and related fields of interest. Books purchased during the year included Volumes 426 to 465 of the SCRA; 2003 Parts I and II, SCRA Quick Index; Official Gazette, January – December 2005; 2005 Updates on Taxation (free); NAR, vol. 13, No. 1-4 (2002), UPLC; NAR, vol. 14, No. 1-4 (2003), UPLC; NAR, vol. 15, No. 1-4 (2004), UPLC; 2005 Updates Jurisprudence; 2005 Updates Laws – both Updates are in compact disc format; Local Government Taxation, 2000 edition (6 books); Real Property Taxation, 2002 edition; Tariff and Customs Code of the Philippines, January 2004, vol. 1 (5 books); Tariff and Customs Code of the Philippines, 2004, vol. 2 (5 books); and other books on Remedial Law, Civil Law, Criminal Law and Procedure, Philippine Constitution and Taxation. The total value of all of these updates amounted to P70,066.00.
- **As tribute to the Court's 50-year legacy and to its mission and vision for the next fifty years and beyond, a CTA Hymn was composed by Mr. J. Greg Zuniega with lyrics by Associate Justice Juanito C. Castañeda, Jr. A CTA flag was likewise commissioned as symbol of the Court's legacy.**
- **Supported the Supreme Court's Judicial Reform Programs**  
  
In line with the Supreme Court's implementation of its program for judicial reforms, the CTA participated in the following activities, to wit:

- CAT Project on Transcribing Stenographic Notes, March 14, 2005, Supreme Court;
  - Technical Session on ICT Infrastructure Issues and Design (Server, Storage, Back-up, Network and Security), April 13-14, 2005, 3<sup>rd</sup> Floor, Citibank Center, 8741 Paseo de Roxas, Makati City;
  - Three-Day Seminar on Web Development, August 2-4, 2005, Centennial Building, Supreme Court;
  - Focus Group Discussion for the HRD/CB Plan for the Judiciary, November 8-9, 2005, Supreme Court;
  - Two CTA personnel participated in component 1 of the short-term course on “Towards a Strengthened HRMD of the Judiciary” sponsored by the Philippines-Australia Human Resource Development Facility, November 2005, held at the Fontana Leisure Parks, Clarkfield, Pampanga.
  - International Conference and Showcase on Judicial Reforms, November 28-30, 2005, Shangri-la Hotel, Makati City;
  - Meetings regarding the second Chief Justice Awards, Office of the Court Administrator, Conference Room 1, Old SC Building, September to December 9, 2005. The CTA’s Chief Justice Awardee for 2005 is Mrs. Judith V. Laroco, who received a package of prizes consisting of cash in the amount of Forty Thousand Pesos (PhP40,000.<sup>00</sup>), a Certificate, a glass trophy and a medal; and
- **Contributed to the Fiscal Effort of the Government**

The Court continued to contribute to the fiscal effort of the Government in terms of taxes, duties and other revenues it adjudged in favor thereof. Thus, for the year 2005, aside from the Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC) cases disposed of by decisions and resolutions, the Court had adjudicated in favor of the government a total of PhP2,009,347,878.<sup>25</sup> taxes and duties due it and/or collectible by it.

- **Upon effectivity of R.A. 9282, the CTA immediately drafted its Revised Rules and the same was finally approved by a committee created by the Supreme Court headed by Justice Reynato M. Puno.** The Revised Rules of the CTA took effect on December 15, 2005, after it was approved by the Supreme Court En Banc and after its publication in a newspaper of general publication.

## BUDGETARY OUTLAY

The Finance Division has an important role in rendering support services for the efficient operation of the Court. It handles, plans and manages the budget of the Court. As it has always done in the past, the 2005 approved budget of the CTA was used or disbursed in accordance with the appropriations for which it was intended. Financial Statements of the CTA are attached as appendices to this report.

In accordance with Republic Act No. 9336, also known as the General Appropriations Act of 2005, the Court's total budget was PhP59,541,000.00 for the year 2005. It consisted of PhP58,099,000.00 as regular appropriation and PhP1,442,000.00 as automatic appropriation for retirement and life insurance premiums. The regular appropriation of PhP58,099,000.00 is broken down into: personal services of PhP29,900,000.00; maintenance and other operation expenses (MOOE) amounting to PhP16,599,000.00; and a capital outlay of PhP11,600,000.00.

### CTA BUDGET FOR FY 2005

Pursuant to R.A. 9336

Otherwise known as The General Appropriations Act of 2005

Regular Appropriation		
Personal Services	PhP	29,900,000.00
Maintenance & Other		
Operating Expenses (MOOE)		16,599,000.00
Capital Outlay		11,600,000.00
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	PhP	58,099,000.00
Automatic Appropriation		
Retirement & Life Insurance Premiums		1,442,000.00
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<b>Total Budget for FY 2005</b>	<b>PhP</b>	<b>59,541,000.00</b>
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## **COLLECTIONS FROM COURT OPERATIONS**

For the year 2005, the Court had a total collection of **PhP209,129,462.<sup>32</sup>** from legal fees and copier services. Of this amount, PhP24,571,155.<sup>55</sup> went to the Judiciary Development Fund (JDF); PhP181,848,005.<sup>00</sup> to the Special Allowance for the Judiciary Fund (SAJ); PhP2,279,936.<sup>77</sup> to the Legal Research Fund (LRF); PhP1,365.<sup>00</sup> to the Victims Compensation Fund (VCF); PhP34,000 to the Mediation Fund; and PhP395,000.00 to the Sheriff's Trust Fund (STF).

The Judiciary Development Fund was created and established under Presidential Decree No. 1949 for the entire Judiciary under the administration of the Supreme Court. All collections representing the increase in its legal fees as prescribed under its Rules of Court (approved by the Supreme Court in its Resolution of January 15, 1991 in Administrative Matter No. 85-3-001-CTA) are deposited with the Land Bank of the Philippines for the account of the Supreme Court.

The Special Allowance for the Judiciary (SAJ) was created under Republic Act No. 9227. This shall benefit: (1) Justices in the appellate courts; (2) Judges in the Regional Trial Courts; and (3) all other positions in the Judiciary with the ranking of a RTC/MTC Judge and all other Judges from the lower courts. The funds necessary for the implementation of this allowance shall be sourced from the legal fees originally prescribed, imposed and collected under Rule 141 of the Rules of Court prior to the promulgation of the amendments under Presidential Decree No. 1949, dated 18 July 1984, and increases in current fees and new fees which may be imposed and collected by the Supreme Court after the effectivity of Republic Act No. 9227. Collections for this fund are deposited with the Land Bank of the Philippines under a separate Special Allowance for the Judiciary (SAJ) account.

On the other hand, collections for the Legal Research Fund (created under R. A. No. 3870) are remitted to the Bureau of Treasury for the University of the Philippines Research Center, its main beneficiary.

The Victims Compensation Fund (VCF) is a fund drive initiated by the Department of Justice (DOJ) for the benefit of the victims of

injustice. The collection for this fund is directly remitted to the Department of Justice.

On December 9, 2003, the Supreme Court through its *En Banc* Resolution A.M. No. 03-12-04-SC, approved the report of the CTA relative to the increase of its legal fees to implement the special allowance under Republic Act 9227 and to increase the Judiciary Development Fund collections. This resolution that amended Section 1, Rule 17 of the Rules of the Court of Tax Appeals took effect on January 2, 2004.

The docket fees of the CTA were again amended in 2004, when the Supreme Court through its *En Banc* Resolution, A.M. No. 04-2-04-SC, revised Rule 141 of the Revised Rules of Court. This Resolution increased not only the CTA legal fees but the legal fees of all courts in the judiciary. It took effect on August 16, 2004.

In response to petitions from the Board of Governors of the Integrated Bar of the Philippines, some IBP Chapters, and other concerned sectors, the Supreme Court Justices suspended effective September 21, 2004, some of the legal fees under A.M. No. 04-2-04-SC, namely: (1) solemnization of marriages; (2) the filing of motions; and (3) the new legal fee imposed on the filing of compulsory counterclaims.

Mediation fees are collected only from private petitioners filing *En Banc* cases with the CTA. The collection of the fixed amount of PhP1,000.00 per petition filed started only on August 2, 2005 pursuant to CTA Administrative Circular No. 01-08-05, issued on August 5, 2005 by Presiding Justice Ernesto D. Acosta. Daily collection of these fees are deposited with the Land Bank of the Philippines under a separate Mediation Fund (MF) account.

The Sheriff's Trust Fund (STF) fees are collected on all cases filed with the CTA whether civil or criminal, and whether filed with the CTA Division or *En Banc* level. It is payable in a fixed amount of PhP1,000.00 per petition filed by a private petitioner subject to replenishment if already exhausted before the termination of the case, and to refund if after the termination of the case there is a remaining balance in the fee/s paid. The STF fees are deposited with the Land Bank of the Philippines under a separate STF account. Collection of these fees started in September 2005.

## **PROBLEMS OF THE COURT**

Despite the acquisition by the CTA of an additional lot measuring 6,000 square meters, the CTA had four (4) remaining major problems for the year 2005, namely:

1. The larger portion of the newly acquired lot is occupied by informal settlers whose eviction and relocation therefrom present a formidable problem as the same will entail so much time and money;
2. The funds allotted for the construction of the CTA's second building will not be sufficient to cover its interior works and furniture;
3. All the newly created positions pursuant to R.A. 9282 cannot be filled up not only due to lack of infrastructures that will house the said incoming personnel but also due primarily to lack of budgetary appropriations; and
4. The Court En Banc had occasionally experienced deadlocks in deciding cases which situation could have been avoided, had there been a Third Division as originally intended by the legislative body in enacting R.A. 9282.

## **CONCLUSION AND RECOMMENDATION**

The Court of Tax Appeals is the only Court in the entire Philippines that handles tax cases, both civil and criminal, after its jurisdiction was expanded under Republic Act No. 9282. Despite the lack of sufficient space for its case records, and the lack of enough personnel to perform the non-adjudicative functions, the Court was able to realize and even exceed its target goal by disposing a total of two hundred fifty-nine (259) cases.

To enable the Court to adjudicate more cases for the current year 2006, it is respectfully recommended and requested that it be allotted more budgetary appropriations in order to address squarely all of the aforementioned problems. And last, but not the least, the passage of a law that will provide the Court with an additional Third Division to be composed of three (3) Associate Justices, is urgently needed.

Respectfully submitted:

SGD.  
**ERNESTO D. ACOSTA**  
Presiding Justice