Title: Pablo Lorenzo vs. Juan Posadas, Jr., 64 Phil. 353 (1936)

Facts:
On October 4, 1932, Pablo Lorenzo, acting as the trustee of the estate of the late Thomas Hanley, initiated a lawsuit against Juan Posadas, Jr., then the Collector of Internal Revenue. Lorenzo sought a refund of P2,052.74, paid as inheritance tax, and interest at 6% per annum from September 15, 1932. The tax was paid under protest by Lorenzo, with a notice to Posadas that unless it was refunded, legal action would be pursued.

Posadas counterclaimed for P1,191.27 as delinquent interest on the assessed tax. Both parties appealed the decision of the Court of First Instance of Zamboanga, which dismissed Lorenzo's complaint and Posadas's counterclaim.

Thomas Hanley died on May 27, 1922, leaving a will and several properties. His will was admitted to probate and provided that his real estate was not to be sold for ten years after his death. The proceeds were to be managed by executors and given to his nephew, Matthew Hanley, for the education of the testator's brother's children.

P.J.M. Moore, an executor, was appointed trustee in 1924 but resigned in 1932, leading to Lorenzo's appointment. Posadas assessed an inheritance tax against the estate, which included penalties for late payment. Lorenzo paid this under protest and subsequently filed for the refund.

Issues:
1. When does inheritance tax accrue, and when must it be satisfied?
2. Should the inheritance tax be computed based on the estate's value at the time of the testator's death or ten years later when the property was to pass to the heir?
3. Are trustees' compensation fees deductible when determining the net value of the estate for tax purposes?
4. Does the law in force at the time of the decedent's death govern inheritance tax liability?
5. What are the effects of delinquency in the payment of inheritance tax under Philippine law?

Court's Decision:
1. Inheritance taxes accrue from the date of the decedent's death. Therefore, the tax should have been measured by the value of the estate at that time.
2. The inheritance tax should be computed based on the estate's value at the death of the testator, regardless of subsequent increases or decreases in value.

3. Compensation and fees due to trustees are not deductible in computing the net value of the estate subject to inheritance tax.
4. Inheritance taxation is governed by the statute in force at the time of the decedent's death. Act No. 3606, which came into effect after the testator's death, cannot retroactively apply.
5. There was delinquency in paying the inheritance tax, as it was not paid before the delivery of the properties to the trustee. The estate is liable for the interest and surcharge due to delinquency.

Doctrine:
The inheritance tax accrues from the moment of the death of the decedent and is measured by the estate's value at that time. The statute in force at the time of the death governs the tax liability.

Class Notes:
– Inheritance tax is computed based on the value of the estate at the time of the decedent's death.
– The statute governing inheritance tax is the one in force at the time of death.
– Trustees' fees are not deductible when computing net estate value.
– Delinquency in tax payment incurs interest and surcharges as penalties.

Historical Background:
The case reflects the legal principles regarding inheritance tax during the early 20th century in the Philippines and the stance of the Philippine Supreme Court towards the timeliness of tax collections, which are vital to government operations. It demonstrates the court's commitment to strict compliance with tax laws, the interpretation of wills and trusts, and the balance between the rights of the estate and the government's interest in tax revenue.