

Title: ****Ferdinand R. Marcos II vs. Court of Appeals and Bureau of Internal Revenue****

Facts:

The case revolves around the assessments of deficiency income and estate taxes against the late President Ferdinand E. Marcos by the Bureau of Internal Revenue (BIR), and the subsequent levies on real properties to satisfy the tax liabilities. After Ferdinand E. Marcos's death on September 29, 1989, an audit team investigated his tax obligations, failing to file notice of death, an estate tax return, and income tax returns for specific years. On July 26, 1991, the BIR issued the assessment notices, including a deficiency estate tax assessment of over P23 billion. Copies were constructively served upon Imelda Marcos (through her caretaker) and upon Ferdinand "Bongbong" Marcos II (also through his caretaker).

The Marcoses did not contest the assessments within the prescribed period, rendering them final and unappealable. Consequently, the BIR issued notices of levy on several real properties. These actions led to Ferdinand R. Marcos II filing a petition for certiorari and prohibition before the Court of Appeals (CA) on June 25, 1993. Despite service of notices on several occasions, the petitioner did not protest the assessments nor appeal to the Court of Tax Appeals.

The CA dismissed the petition for lack of merit and affirmed the BIR's actions. Marcos II then brought the case before the Supreme Court, alleging errors on the CA's part and contending that estate tax assessment should be part of the probate proceeding, which he argues is exclusive and mandatory for tax disputes related to the estate of the deceased. He also claimed the BIR's actions violated due process.

Issues:

1. Whether the BIR's assessment and collection through summary remedies of estate and income tax delinquencies, despite probate proceedings, is valid.
2. Whether the CA erred in disregarding the petitioner's arguments related to the merits of the BIR's actions based on the finality of the tax assessments.
3. Whether the CA erred in denying injunctive relief to the petitioner and whether the BIR's method of collecting the alleged deficiency taxes was arbitrary.

Court's Decision:

The Supreme Court (SC) denied the petition and affirmed the CA's decision in all respects. The SC held that the BIR is not required to wait for the probate court's assessment or

collection of estate taxes and that taxes can be collected through summary remedies independent of the probate court's proceedings. The SC also decided that the petitioner's failure to contest the assessment resulted in its finality, making it enforceable through levy upon real property. Furthermore, the SC found sufficient notice of the assessments and subsequent levies to Marcos II and that the petitioner's arguments against the assessments, including the amount and timing, should have been addressed through proper administrative and judicial channels. The SC concluded the petitioner waived his right to challenge the assessments and, subsequently, the levies and public auction by not acting within the provided legal remedies.

Doctrine:

The Court reiterates the doctrine that probate proceedings do not preclude the BIR from assessing and collecting estate taxes through summary remedies. It is not a mandatory requirement for the BIR to seek the probate court's approval before enforcing and collecting estate taxes.

Class Notes:

- Taxes are the lifeblood of the government and should be collected without unnecessary hindrance.
- Estate taxes are assessed against the decedent's estate and are collectible from the heirs proportionate to their inheritance.
- A final and unappealable assessment can be enforced and collected through summary remedies such as levy and sale.
- Taxpayers must contest tax assessments through administrative protest and judicial appeal within the prescribed periods under Sections 229 and 223 of the NIRC. Otherwise, the assessment becomes final and executory.
- In probate proceedings, a Certification from the Commissioner of Internal Revenue showing payment of estate taxes is required before the distribution of shares to interested parties (NIRC Section 87).

Historical Background:

The historical background of the case shows the prolonged process of settling Ferdinand E. Marcos's estate following his death while in exile. His estate became controversial due to the massive tax liabilities assessed by the BIR and the failure of his heirs to duly address these obligations. The SC's decision in this case underscores the government's staunch position on its authority to levy estate taxes irrespective of ongoing probate proceedings, emphasizing the importance of following due process and existing remedies for contesting

tax assessments.