

Title: Alfonso Tuason y Angeles and Mariano Tuason y Angeles vs. Juan Posadas, Jr.,
Collector of Internal Revenue

Facts:

On September 15, 1922, Esperanza Tuason y Chuajap donated property to Mariano Tuason y Angeles and, on April 30, 1923, to Alfonso Tuason y Angeles. On January 5, 1926, she passed away, leaving a will with bequests of P5,025 and P5,050 to Mariano and Alfonso, respectively. The judicial administratrix paid the appropriate inheritance tax on these bequests. Additionally, the Collector of Internal Revenue collected amounts of P3,809.76 and P6,653.64 as inheritance taxes on the gifts made inter vivos to Mariano and Alfonso. They opposed these taxes but were still ordered to pay. The Tuasons filed a legal action against the Collector for recovery of the amounts.

Procedurally, their case flowed from trial to the Supreme Court, with the trial court ruling that the defendant (the Collector of Internal Revenue) must return the amounts claimed by the plaintiffs. The defendant appealed the trial court's decision to the Philippine Supreme Court, arguing that the collection of the inheritance tax on the donations inter vivos was authorized by law under Section 1536 of the Administrative Code.

Issues:

1. Whether the donations inter vivos made by Esperanza Tuason y Chuajap to Alfonso and Mariano are to be considered advancements on their inheritance, which should be taxed accordingly under Section 1540 of the Administrative Code.
2. Whether the interpretation of law mandating the collection of tax on donations inter vivos from heirs violates the principle of tax uniformity as required by the Autonomy Act (Jones Law).

Court's Decision:

The Supreme Court, through Chief Justice Avanceña's decision, reversed the trial court's judgment, absolving the defendant from the complaint. The Court interpreted Section 1540 to imply that all gifts inter vivos must be added to the net amount subject to inheritance tax if, after the donor's death, the donee is found to be an heir, devisee, legatee, or donee mortis causa. The Court did not address the question of constitutionality since it was not raised by the parties on appeal.

Doctrine:

The doctrine established by this decision is that gifts inter vivos are to be considered as

advancements on the inheritance if the donee subsequently becomes a legatee or heir of the donor and should be added to the estate for the purpose of computing the inheritance tax.

Class Notes:

- Inheritance Taxation - The tax imposed on the transmission of the estate of a deceased person to his heirs or beneficiaries.
- Gift Inter Vivos - A gift made during the lifetime of the giver and delivered to the recipient.
- Autonomy Act (Jones Law) - Requires tax uniformity within the Philippines.
- Relevant Statutes: Section 1536, 1539, 1540 of the Administrative Code.

When analyzing gifts inter vivos, consider if the recipient becomes an heir or legatee upon the donor's death. If so, such gifts may be taxed as if they are advancements on inheritance under Section 1540.

Historical Background:

The case was decided during a period in which estate taxation was still developing as a legal principle in the Philippines. Tax laws, especially relating to inheritance and donations inter vivos, were crucial in establishing the fiscal responsibilities of heirs and the potential for tax evasion through lifetime gifts. This case clarifies the taxation of inter vivos gifts in relation to the recipient's status as an heir or donee post the donor's demise, aligning the Administration Code's provisions with tax equity principles of the time.