

****Title:**** Secretary of Finance vs. Oro Maura Shipping Lines: A Case of Re-Assessment of Customs Duties and the Finality of Assessment

****Facts:****

This case revolves around the importation of a vessel, M/V “HARUNA” by Oro Maura Shipping Lines (respondent) and the subsequent assessment and reassessment of customs duties and taxes by different Philippine Customs offices.

1. On November 24, 1992, MARINA authorized the importation of M/V “HARUNA” under a Bareboat Charter agreement for five years.
2. The Department of Finance allowed temporary registration and tax and duty-free release of the vessel to Glory Shipping Lines (original importer), under conditions set by MARINA and with a bond posted guaranteeing re-exportation.
3. By March 22, 1993, the vessel arrived in the Philippines, with declared customs duties based on its dutiable value.
4. In March 1994, the re-export bond expired without renewal, and despite demands, Glory Shipping Lines failed to pay the assessed duties.
5. Unknown to the Collector of Customs of the Port of Mactan, where the demands were made, the vessel was offered for sale and eventually sold to the respondent in October 1994.
6. Oro Maura Shipping Lines applied for an Authority to Import from MARINA and declared a significantly lower acquisition cost for the vessel. Based on this new value, it paid assessed duties and taxes to the Port of Manila in January 1995.
7. In November 1997, after finding out about the sale, the Collector of the Port of Mactan initiated seizure proceedings against the vessel for unpaid duties by Glory Shipping Lines, leading to a series of adjudications eventually favoring the respondent, holding the reassessment invalid.

****Issues:****

1. Whether the Court of Appeals erred in holding the assessment by the Manila Customs Collector as final and conclusive upon all parties.
2. Whether the respondent was correctly considered an “innocent purchaser.”
3. Whether a lien in favor of the government against the vessel exists despite its sale to the respondent.

****Court’s Decision:****

The Supreme Court found in favor of the petitioner, Secretary of Finance, reversing the decision of the Court of Appeals and reinstating the ruling for reassessment based on the

non-depreciated value of the vessel.

1. **On Finality of Assessment:** The Court held that the assessment made by the Collector of Customs of the Port of Manila did not become final and conclusive as there was proof of fraud and misdeclaration regarding the vessel's value.
2. **On Innocent Purchaser:** The Court found that the respondent could not be deemed an innocent purchaser due to its knowledge and participation in actions leading to tax evasion.
3. **On Government Lien:** The Court recognized the existence of a lien against the vessel for unpaid customs duties, which continued despite the change in ownership.

Doctrine:

The case reiterates the principle that fraud and misdeclaration can prevent the finality of tax assessments and that the government is not estopped by the mistakes or errors of its agents in collecting taxes. It also establishes that a government lien for unpaid customs duties persists regardless of the change in ownership of the imported item.

Class Notes:

1. Tax Assessment Finality: Sections 1407 and 1603 of the Tariff and Customs Code of the Philippines (TCCP) do not conclude the finality of assessment in the presence of fraud, protest, or compliance audit.
2. Government Lien on Imported Goods: Section 1204 of the TCCP establishes that unpaid duties create a lien on imported goods, enforceable while in government custody or control.
3. Doctrine of Non-Estoppel Against the Government: The principle that the State is not bound by the mistakes of its agents, especially in tax collection matters.

Historical Background:

The case exemplifies the complexities and challenges in customs administration and tax collection, highlighting the need for vigilance against tax evasion and fraud in importation practices. It underscores the government's right to correct errors and adjust tax assessments to prevent revenue loss.