

Title: Commissioner of Internal Revenue vs. Hon. Raul M. Gonzalez, Secretary of Justice, et al.

Facts:

The Bureau of Internal Revenue (BIR) initiated a fraud investigation on L. M. Camus Engineering Corporation (LMCEC) for the taxable years 1997, 1998, and 1999 based on information from an “informer” about substantial income underdeclaration. Despite a subpoena, LMCEC failed to comply, leading to a criminal complaint for violation of Section 266 of the National Internal Revenue Code (NIRC). The investigation revealed undeclared incomes for the said years leading to a deficiency tax assessment of P430,958,005.90. Despite the assessment notices and the subsequent formal letter of demand, LMCEC failed to pay, prompting the BIR to refer the case for preliminary investigation.

LMCEC countered the BIR’s actions, contending the invalidity of the assessments, having availed of the Bureau’s Tax Amnesty Programs, and arguing the BIR’s actions as harassment. Despite these claims, the BIR pressed on with charges for violations of Sections 254 (Attempt to Evade or Defeat Tax) and 255 (Willful Failure to Pay Tax) of the NIRC. Their appeal to the Department of Justice (DOJ) led the Secretary of Justice to dismiss the BIR’s complaint, citing insufficient evidence of fraud among other reasons. The BIR’s motion for reconsideration was denied, prompting an appeal to the Court of Appeals (CA), which upheld the DOJ’s decision. This brought the case to the Supreme Court (SC) upon the BIR’s further appeal.

Issues:

1. Whether LMCEC and its corporate officers can be prosecuted for violation of Sections 254 and 255 of the NIRC.
2. The validity of the Final Assessment Notices issued to LMCEC and their finality.
3. The Secretary of Justice’s authority to review and dismiss the criminal complaint based on alleged tax evasion.

Court’s Decision:

The Supreme Court granted the BIR’s petition, reversing the CA’s decision, and directed the Secretary of Justice to order the filing of the proper information against LMCEC and its officers for violations of Sections 254 and 255 of the NIRC. The SC established that prior determinations and assessments showed substantial underdeclaration of income by LMCEC, validating the BIR’s assessments and actions. It was held that the failure of LMCEC to contest these assessments in accordance with the NIRC rendered them final and executory.

Doctrine:

1. **Tax Assessments' Presumption of Correctness** - Tax assessments by examiners are presumed correct unless proven otherwise.
2. **Final and Executory Assessments** - A taxpayer's failure to file a petition for review within the statutory period renders an assessment final, executory, and uncontestable.
3. **Non-Application of Estoppel against the Government** - The government can never be in estoppel, particularly in matters of taxation.

Class Notes:

- **Elements of Tax Evasion (Section 254, NIRC):** Willful attempt to evade or defeat tax; failure to pay the correct tax amount.
- **Requirements for a Valid Tax Assessment:** Must inform the taxpayer in writing of the law, rules, and facts on which the assessment is based (Section 228, NIRC).
- **Principle against Estoppel on Government:** The government is not estopped by the mistakes or errors of its officials in the administration of taxes.
- **Tax Amnesty vs. Finality of Assessments:** Tax amnesty programs do not preclude the BIR from assessing or collecting deficiency taxes discovered to be due to fraud.

Historical Background:

This case highlights the Philippine government's relentless pursuit of tax evaders to ensure the integrity of tax collection. It underscores the sophisticated mechanisms in place to detect and punish tax evasion, reflecting the broader historical and ongoing challenges of tax administration in a rapidly evolving economic landscape.