

Title: Commissioner of Internal Revenue vs. GJM Philippines Manufacturing, Inc., G.R. No. 203554, February 29, 2016

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Facts:

1. **Initial Filing**: On April 12, 2000, GJM Philippines Manufacturing, Inc. (GJM) filed its Annual Income Tax Return for the year 1999.
2. **Bankruptcy and Ownership Transfer**: In December 2001, Warnaco (ITK) Ltd., GJM's parent company, went through bankruptcy, resulting in the transfer of ownership to Luen Thai Overseas Limited.
3. **Transfer of Registration**: On August 26, 2002, GJM notified the Revenue District Officer of Trece Martirez that it would transfer its registered address from Makati to Rosario, Cavite, effective April 29, 2002. The request was confirmed with Transfer Confirmation Notice No. OCN ITR 000018688 the same day.
4. **BIR Investigation**: On October 18, 2002, the Bureau of Internal Revenue (BIR) notified GJM via a letter that an informal conference had been conducted, revealing income tax deficiencies amounting to PHP 1,192,541.51 for several understatements and disallowances in various expenses.
5. **Refutation by GJM**: On October 24, 2002, GJM's Financial Controller disputed the findings.
6. **Pre-Assessment Notice**: On February 12, 2003, the BIR issued a Pre-Assessment Notice detailing discrepancies against GJM.
7. **Assessment Notice**: On April 14, 2003, BIR issued an undated Formal Assessment Notice (FAN) indicating a deficiency of PHP 1,480,099.29.
8. **Collection Efforts**:
 - On July 25, 2003, the BIR sent a Preliminary Collection Letter to GJM in Makati.
 - On August 18, 2003, a Final Notice Before Seizure was sent to GJM's Cavite address, allegedly not received by GJM.
 - On December 8, 2003, GJM received a Warrant of Distraint and/or Levy from RDO No. 48-West Makati.

9. **Letter Protest**: GJM filed a Letter Protest on January 7, 2004, which BIR denied on January 15, 2004.

10. **CTA Proceedings**:

- GJM filed a Petition for Review before the Court of Tax Appeals (CTA) First Division.
- On January 26, 2010, the CTA First Division ruled in favor of GJM, canceling and withdrawing the assessment and Warrant of Distrainment.
- CIR's Motion for Reconsideration was denied.

11. **Appeal to CTA En Banc**:

- CIR appealed to CTA En Banc.
- On March 6, 2012, the CTA En Banc affirmed the First Division's decision.
- CIR's Motion for Reconsideration was denied.

12. **Supreme Court**: CIR filed a Petition for Review under Rule 45 with the Supreme Court.

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Issues:

1. Was the Formal Assessment Notice (FAN) for deficiency income tax issued to GJM for taxable year 1999 released, mailed, and sent within the prescribed three-year period under Section 203 of the National Internal Revenue Code (NIRC) of 1997?

2. Has the BIR's right to assess GJM for deficiency income tax for the taxable year 1999 prescribed?

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Court's Decision:

1. **Prescriptive Period**:

- The core issue focused on whether the Formal Assessment Notice (FAN) was sent within the prescriptive period outlined in Section 203 of the NIRC.
- The Court found that the FAN was issued within the prescribed period as the report stated the mail date of April 14, 2003, within the three-year period ending April 15, 2003.

2. **Receipt by Taxpayer**:

- Despite being issued within the prescriptive period, the taxpayer (GJM) claimed non-receipt of the FAN.
- The obligation fell upon the BIR to prove the actual receipt by GJM.
- The court noted that the registry receipt or the registry return card were essential to establish the fact of receipt, which the BIR failed to present.

3. **Burden of Proof**:

- The burden was on the BIR once the taxpayer denied receipt. However, the BIR failed to provide competent evidence to prove actual receipt by GJM.
- The evidence presented by BIR, such as self-serving documents and a Postmaster's certification, was deemed insufficient.

4. **Assessment Nullification**:

- The CTA's findings and conclusions were upheld by the Supreme Court, respecting the specialized nature of the CTA.
- Consequently, the assessments and the Warrant of Distraint and/or Levy were affirmed to be correctly canceled and withdrawn due to the BIR's failure to prove the essential receipt of the assessment by the taxpayer within the prescriptive period.

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Doctrine:

Assessment Notice:

- The effectiveness of a tax assessment notice is contingent upon the actual receipt by the taxpayer.
- The issuance within the prescriptive period must be accompanied by proven receipt.

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Class Notes:

- **Key Elements**:

- Prescriptive Period under Section 203, NIRC: 3 years from the actual filing date.
- Actual Receipt Requirement: Evidence of mailing and receipt by the taxpayer, typically via registry receipt or return card.

- **Principles**:

- Burden of Proof: Shifts to the BIR once the taxpayer denies receipt of the assessment.

- Specialized Review: The CTA's findings are given high deference unless there's substantial evidence to the contrary.

- **Statutory Provision**:

- Section 203, NIRC: Defines the period within which tax assessments must be issued.

Citation:

- Sec. 203. Period of Limitation Upon Assessment and Collection - Assessments must be made within three (3) years after the last day for filing the return.

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Historical Background:

This case underscores the judicial challenges faced by the Bureau of Internal Revenue in ensuring compliance with deadlines and the stringent evidentiary requirements for proving receipt of assessment notices. It reflects the complications involved in inter-district communications within government bodies and elucidates the judiciary's role in maintaining strict procedural compliance against governmental agencies. This case happened at a time when the efficiency and procedural correctness of tax collections were scrutinized, situating it within broader tax administration reforms in the Philippines.