

****Title: Republic of the Philippines vs. Francisco Ricarte, 224 Phil. 152 (1980)****

****Facts:****

1. On March 2, 1959, Francisco Ricarte filed his income tax return for the year 1958.
2. On April 6, 1959, the Bureau of Internal Revenue (BIR) assessed Ricarte's income tax liability at P222.00, which he paid in two installments on May 15 and August 17, 1959.
3. On June 20, 1959, Republic Act No. 2343 took effect, amending the National Internal Revenue Code.
4. In 1961, after an investigation, the BIR found a deficiency in Ricarte's 1958 income tax of P1,136.87.
5. On January 19, 1961, the BIR issued an assessment notice and a letter of demand for the deficiency, which was mailed on January 25, 1961.
6. Ricarte did not pay the deficiency, so on January 14, 1966, the Republic filed a complaint to collect the unpaid taxes in the City Court of Cebu.
7. The City Court dismissed the case on October 29, 1966, stating the action was prescribed as it was filed more than five years after the initial April 6, 1959 assessment.
8. The Republic appealed to the Court of First Instance, which entered a stipulation of facts and also dismissed the case on September 29, 1968.
9. The Republic filed a motion for reconsideration, which was denied on December 14, 1968, leading to the present appeal to the Supreme Court.

****Issues:****

1. Whether the subsequent assessment of January 19, 1961, by the BIR had a legal basis given the amendment by R.A. No. 2343.
2. Whether the action to collect the deficiency income tax had prescribed.
3. Whether the BIR proved that the notice of the deficiency assessment was served upon Ricarte.

****Court's Decision:****

1. ****Legal Basis of Subsequent Assessment:****
- The Supreme Court resolved that the subsequent assessment made by the BIR in 1961 was based on the unamended Section 51(a) of the National Internal Revenue Code, not under R.A. No. 2343. Since Ricarte filed his return under the law in effect before R.A. No. 2343, the BIR's assessment followed the old procedure where the BIR assessed and notified taxpayers of their tax liability.
2. ****Prescription of Action:****

- The Court agreed with the lower courts that the action had prescribed. Section 332(c) of the National Internal Revenue Code provides a five-year limitation period for filing proceedings to collect assessed taxes. Given that the initial assessment was made on April 6, 1959, the last day to file would have been April 6, 1964. The action, filed on January 14, 1966, was beyond this period.

3. **Proof of Notice:**

- It was found that there was no evidence or stipulation showing that Ricarte actually received the subsequent notice of assessment dated January 19, 1961. With no proof of service, the prescriptive period was computed from the original assessment date (April 6, 1959) rather than from the alleged January 19, 1961 re-assessment.

Doctrine:

- The doctrine reaffirmed is that the prescriptive period for collecting tax deficiencies starts from the original assessment date unless there's clear evidence that a new assessment notice was received by the taxpayer. Proper service of such assessment is required to reset the prescriptive period.

Class Notes:

- **Key Elements for Tax Deficiency Collection Cases:**

- **Assessment Date:** The starting point for the prescriptive period.

- **Prescriptive Period:** Five years from the date of assessment under Section 332(c) of the National Internal Revenue Code.

- **Notice of Assessment:** The taxpayer must actually receive notice for prescriptive periods to reset.

- **Statute:**

- Section 332(c) of the National Internal Revenue Code: "(c) Where the assessment of any internal revenue tax has been made within the period of limitation above described such tax may be collected by distraint or levy or by a proceeding in court, but only if begun (1) within five years after the assessment of the tax..."

Historical Background:

- The period under consideration shows a transition from the traditional tax assessment system where the BIR calculated taxes, to a "pay-as-you-file" system under R.A. No. 2343. This case highlights the complexities arising during transitional periods in tax law, where amendments impact ongoing assessments and collections. The introduction of the "pay-as-

you-file” system intended to streamline tax collection by making taxpayers self-assess and pay their due tax upon filing their return.