

Title:

Meralco Securities Corporation v. Hon. Victorino Savellano, Asuncion Baron Vda. de Maniago, et al.

Commissioner of Internal Revenue v. Hon. Victorino Savellano, Asuncion Baron Vda. de Maniago, et al.

Facts:

1. **Confidential Denunciation**: On May 22, 1967, Juan G. Maniago denounced Meralco Securities Corporation (Meralco) to the Commissioner of Internal Revenue, claiming it evaded taxes by reporting only 25% of dividends received from Manila Electric Company for 1962-1966.
2. **Investigation and Findings**: The Commissioner investigated and found Meralco compliant, as section 24 of the National Internal Revenue Code mandated only 25% of such dividends to be returnable.
3. **Rejection of Informer's Reward**: On April 5, 1968, the Commissioner rejected Maniago's claim for an informer's reward because no deficiency was found. This decision was upheld by the Secretary of Finance on May 11, 1971.
4. **Mandamus Petition**: On August 28, 1970, Maniago filed a mandamus petition (later amended) with the Court of First Instance (CFI) to compel the Commissioner to assess the tax deficiency and award him the informer's reward.
5. **Defensive Motions**:
 - **Commissioner's Motion to Dismiss**: Filed on October 28, 1970, arguing that mandamus cannot compel a discretionary act.
 - **Meralco's Answer**: Filed on January 15, 1971, arguing lack of cause of action, prematurity, and prescription, among other defenses.
6. **CFI Decision**: On January 10, 1973, the CFI ordered the Commissioner to assess and collect P51,840,612.00 in alleged deficiency taxes from Meralco and pay 25% as informer's reward to Maniago.
7. **Motions for Reconsideration**: Denied by CFI on April 6, 1973.
8. **Appeals to the Supreme Court**:
 - **Commissioner's Petition (G.R. No. L-36748)**: Argued the CFI lacked jurisdiction and emphasized the Commissioner's discretion in tax assessments.
 - **Meralco's Appeal (G.R. No. L-36181)**: Raised similar jurisdictional and procedural objections.
9. **Consolidation**: The two Supreme Court cases (G.R. Nos. L-36748 and L-36181) were consolidated for review.

Issues:

1. **Jurisdiction**: Whether the Court of First Instance has jurisdiction over the case involving disputed tax assessments.
2. **Mandamus Applicability**: Whether a writ of mandamus can compel the Commissioner of Internal Revenue to impose a tax assessment.
3. **Informer's Reward**: Whether Maniago is entitled to an informer's reward absent actual assessment and collection of taxes.

Court's Decision:

1. **Jurisdiction**:

- **Resolved**: The Supreme Court ruled the CFI lacked jurisdiction, as cases involving disputed assessments fall under the exclusive appellate jurisdiction of the Court of Tax Appeals (CTA) under Republic Act No. 1125.
- **Reasoning**: By law, CTA has exclusive jurisdiction over tax disputes, making the CFI's ruling invalid.

2. **Mandamus Applicability**:

- **Resolved**: Mandamus cannot be issued to compel the Commissioner of Internal Revenue to exercise his discretion regarding tax assessments.
- **Reasoning**: The function of the Commissioner is discretionary, not ministerial, and courts cannot interfere with this discretion. Mandamus only applies to enforce clearly defined and not discretionary duties.

3. **Informer's Reward**:

- **Resolved**: No informer's reward is due without an actual assessment and collection of taxes.
- **Reasoning**: The reward is contingent upon the collection of unpaid taxes. Since no deficiency was assessed or collected, Maniago (or his heirs) is not entitled to a reward.

Doctrine:

- **Jurisdiction**: Jurisdiction over disputed tax assessments lies exclusively with the Court of Tax Appeals (Republic Act No. 1125).
- **Discretionary Acts**: Mandamus cannot compel the exercise of discretionary powers by administrative officials.
- **Informer's Reward**: An informer's reward is only due from the collection of assessed taxes, not from mere allegations or uncollected amounts.

Class Notes:

1. **Jurisdiction**:

- **Key Concept**: Exclusive jurisdiction of the Court of Tax Appeals over disputed tax assessments (R.A. No. 1125).
- **Citation**: Sec. 7 of Republic Act No. 1125.

2. **Mandamus**:

- **Key Concept**: Mandamus applies only to ministerial duties, not discretionary acts.
- **Application**: Cannot be used to compel tax assessments by the BIR.

3. **Informer's Reward**:

- **Key Concept**: Contingent on the actual collection of taxes assessed and not on mere allegations.

Historical Background:

- **Tax Administration**: Reflects the complex nature of tax administration and the need for specialized judicial bodies like the Court of Tax Appeals in the Philippines to handle tax disputes.
- **Mandamus Evolution**: Illustrates the judiciary's restraint in interfering with executive functions, underscoring the principle of separation of powers in administrative law.