

****Title**:** Republic of the Philippines vs. Ramon G. Enriquez, Deputy Sheriff of Manila

****Facts**:**

On January 28, 1985, the Commissioner of Internal Revenue of the Philippines served a Warrant of Distrainment of Personal Property on Maritime Company of the Philippines to satisfy deficiency taxes amounting to P17,284,882.45. Subsequently, on April 16, 1985, the Headquarters of the First Coast Guard District in Binondo, Manila, acknowledged receipt of several barges, vehicles, and two bodegas of spare parts belonging to Maritime Company of the Philippines.

On October 4, 1985, the Commissioner of Internal Revenue issued a Notice of Seizure of Personal Property, among which were six barges identified as Barge MCP-1 to Barge MCP-6.

On June 11, 1986, Ramon G. Enriquez, a deputy sheriff of Manila, levied on two barges belonging to Maritime Company of the Philippines based on a writ of execution issued on February 19, 1986, by the Regional Trial Court of Manila in Civil Case No. 85-30134, favoring Genstar Container Corporation. The two barges (MCP-1 and MCP-4) were scheduled for public auction on June 23, 1986.

On June 18, 1986, the Commissioner of Internal Revenue informed the deputy sheriff through a letter that Barge MCP-1 and Barge MCP-4 were already under distrainment and seized by the Bureau of Internal Revenue (BIR). The communication was received on June 19, 1986, by the sheriff's office.

Despite this notification, the deputy sheriff proceeded with the auction on June 23, 1986, and the barges were sold to the highest bidder.

On July 24, 1986, the Republic of the Philippines filed a petition for prohibition with preliminary injunction before the Court of Appeals, alleging that the deputy sheriff acted with grave abuse of discretion by auctioning the previously seized barges. The Court of Appeals dismissed the petition on April 30, 1987, stating that the sheriff acted in accordance with law.

The Republic of the Philippines appealed to the Supreme Court.

****Issues**:**

1. What is the validity and superiority of the BIR's Warrant of Distrainment and Notice of

Seizure against a subsequent writ of execution and levy issued by a Regional Trial Court?

2. Did the deputy sheriff act in excess of his authority or with grave abuse of discretion by proceeding with the auction despite prior distraint and seizure by the BIR?

Court's Decision:

1. Validity and Superiority of BIR's Warrant vs. Writ of Execution:

The Supreme Court ruled that a tax lien of the government is superior to claims of private litigants. This lien attaches from the time the tax becomes due and before the issuance of a warrant of distraint. In this case, the distraint and seizure of properties by the BIR occurred before the writ of execution was issued by the Regional Trial Court. Hence, at the time of the writ's issuance, the barges were no longer the property of Maritime Company of the Philippines, invalidating the writ of execution and subsequent auction sale initiated by the deputy sheriff.

2. Authority of the Deputy Sheriff:

The Supreme Court found that the deputy sheriff exceeded his authority and acted with grave abuse of discretion by ignoring the adverse claim filed by the BIR. The sheriff's defense that he was unaware of the BIR's claim was invalidated by proof of receipt in his office. The court emphasized the duty of sheriffs to be aware of and comply with notices affecting the properties they deal with in official capacity.

Doctrine:

- Government claims based on tax liens are superior to private claims based on court judgments.
- Distraint of property by tax authorities takes precedence over subsequent court orders regarding execution and levy.

Class Notes:

- **Tax Lien Superiority:** Government tax liens take precedence over private claims once the lien is attached.
- **Sheriff Authority:** Sheriffs must execute actions only on properties belonging to judgment debtors, verifying ownership status prior to proceeding.
- **Proof of Receipt:** Official communications and notices must be acknowledged and acted upon appropriately by government officials.

Key Statutes:

- **NIRC:** Authority of BIR to distraint and seize properties.

- **Section 17, Rule 39, Rules of Court**: Remedies for disputing execution and levy processes by sheriffs.

Historical Background:

This case underscores the enduring principle that tax claims hold primacy within Philippine jurisprudence, reflecting the state's sovereign right to collect taxes over other creditor claims. It reiterates the procedural and evidentiary standards for government officials, securing the proper enforcement of tax collection processes.

The decision aligns with long-standing precedents, such as *Hongkong & Shanghai Banking Corporation v. Rafferty and Sampaguita Pictures, Inc. v. Jalwindor Manufacturers, Inc.*, upholding the superior status of governmental tax liens through consistent judicial interpretation.