

**Title:** Marvel Building Corporation, et al. vs. Saturnino David, Collector of Internal Revenue

**Facts:**

- **September 15, 1950:** The Secretary of Finance recommended the collection of P3,593,950.78 as war profits taxes from Maria B. Castro.
- **September 22, 1950:** The President instructed the Collector of Internal Revenue to collect the said tax amount.
- **October 31, 1950:** Various properties, including the Aguinaldo Building, Wise Building, and Dewey Boulevard-Padre Faura Mansion, were seized by the Collector.
- **November 13, 1950:** Plaintiffs, stockholders of Marvel Building Corporation, filed a complaint to enjoin the sale of the seized properties.
- **Trial Court Decision:** The Court of First Instance of Manila ruled in favor of the plaintiffs, ordering the release of the properties and enjoining the Collector from selling them.
- **Procedural Posture:** The case was appealed to the Supreme Court by the Collector of Internal Revenue.

**Issues:**

1. **Ownership of Stocks:** Whether Maria B. Castro was the true and sole owner of the shares of stock in Marvel Building Corporation, effectively making other stockholders mere dummies.
2. **Due Process:** Whether the lack of evidence provided by the plaintiffs violated due process principles.
3. **Circumstantial Evidence:** Whether the circumstantial evidence was sufficient to establish the ownership of stocks by Maria B. Castro.

**Court's Decision:**

1. **Ownership of Stocks:** The Supreme Court found that Maria B. Castro was the sole and exclusive owner of all the shares in Marvel Building Corporation. The evidence showed that the other incorporators had endorsed their shares in blank and that these certificates were in Maria B. Castro's possession, indicating they were mere dummies.
  - **Rationale:** The Court took into account testimonies and photostatic copies of stock certificates showing endorsements in blank. It also considered the incomes of the alleged stockholders, which were not sufficient to cover their purported stock subscriptions.

2. **Due Process:** The Court held that due process was not violated. Despite the plaintiffs' claims, the evidence and circumstances, including the non-filing of certain income tax returns by the other stockholders, pointed conclusively to Maria B. Castro retaining ownership and control.

- **Rationale:** Testimonies provided by internal revenue agents and Under-Secretary of Finance, along with absence of substantial evidence supporting plaintiffs' claims, led the Court to conclude the facts properly.

3. **Circumstantial Evidence:** The Court found that the documentary and circumstantial evidence provided by the Collector was more credible and less susceptible to fabrication than the plaintiffs' direct testimonial evidence.

- **Rationale:** Multiple factors like the advance of funds by Maria B. Castro to the corporation and the lack of business meetings or corporate books corroborated that she was the legitimate owner, managing the business under her sole control.

**Doctrine:**

- **Doctrine of Substance Over Form:** This case underscores the importance of substance over form in determining true ownership of corporate shares. Nominal ownership and formal documentation were overridden by the actual control and financial arrangements in determining the true owner.

**Class Notes:**

1. **Ownership Determination:**

- Nominal ownership vs. real control and financial backing.
- Circumstantial evidence can trump formal documentation.

2. **Evidence in Tax Cases:**

- Importance of consistent income and tax returns in supporting claims of ownership.
- Role of endorsements and physical possession of stock certificates in determining ownership.

3. **Due Process in Civil Cases:**

- Importance of providing concrete and specific evidence.
- Plaintiffs' burden to rebut adverse presumptions effectively.

**Historical Background:**

- **Post-War Taxation:** The case is set against the backdrop of post-World War II efforts by the Philippine government to tax war profits. This reflects the broader economic policies aimed at recovering war-time revenues and addressing tax evasion.
- **Corporate Veil:** The principles discussed in this case illustrate early judicial efforts to pierce the corporate veil in situations of tax evasion, highlighting a developing area of corporate and tax law during that period.