

****Title: Commissioner of Internal Revenue vs. Maxicare Healthcare Corporation****

****Facts:****

Maxicare Healthcare Corporation, a domestic corporation, primarily operates a prepaid group health care system. On August 28, 2014, the Commissioner of Internal Revenue (CIR) issued a Letter of Authority to examine Maxicare's accounts for 2012. Subsequently, on August 27, 2015, Maxicare received a Preliminary Assessment Notice (PAN), proposing a VAT deficiency assessment of P618,251,527.72 for 2012. Maxicare protested the PAN on September 14, 2015.

On October 15, 2015, Maxicare received a Formal Letter of Demand (FLD) and Final Assessment Notice (FAN) dated October 8, 2015, which finalized the VAT deficiency at P419,774,484.21. Maxicare protested the FLD/FAN on November 9, 2015, with explicit intentions to file additional supporting documents.

However, on December 21, 2015, Maxicare received a Final Decision on Disputed Assessment (FDDA) dated December 9, 2015, which cemented the earlier assessment figures. Maxicare thus filed a Petition for Review with the CTA on January 20, 2016.

****Rulings of Lower Tribunal:****

The Court of Tax Appeals First Division ruled in favor of Maxicare on January 16, 2020, declaring the FDDA void for violating Maxicare's right to due process. The FLD/FAN was also canceled. The CIR's motions for reconsideration were denied, leading the CIR to appeal to the CTA En Banc.

The CTA En Banc sustained the First Division's rulings on November 25, 2021, finding that the FDDA was issued prematurely, thus violating due process. This affirmation was again challenged by the CIR but was denied on April 26, 2022.

****Issues:****

The singular issue presented was whether the CTA En Banc erred in holding that the CIR's actions violated Maxicare's right to due process, rendering the FLD/FAN and FDDA void.

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

The Supreme Court upheld the CTA En Banc's ruling that the CIR violated Maxicare's due process rights. Specifically:

1. ****Due Process Violation:**** The Court agreed with the CTA's finding that Section 228 of

the National Internal Revenue Code (NIRC) and Revenue Regulations (RR) No. 12-99 were violated because the CIR did not wait the required 60 days for Maxicare to submit additional supporting documents post-filing of their protest to the FLD/FAN.

2. **Procedural Posture:** The issuance of the FDDA before the stipulated period lapsed deprived Maxicare of a fair opportunity to substantiate its protest, leading to a premature conclusion of the assessment process inconsistent with due process requirements.

3. **Adherence to Procedural Rules:** Strict procedural adherence is mandatory to ensure fair taxation and prevent abuse of the CIR's power. The FDDA's premature issuance demonstrated a blatant disregard for Maxicare's procedural rights, rendering it void. The Supreme Court noted that such requirements safeguard taxpayers' rights and are intended to prevent arbitrary taxation.

Doctrine:

1. **Due Process in Taxation:**

- Due process is foundational and must be strictly adhered to in tax assessments.
- Section 228 of the NIRC mandates procedural fairness, specifically providing taxpayers a 60-day period to submit supporting documents on a protest.
- Failure to observe these procedural rights renders the assessment void.

2. **Strict Compliance with Procedures:**

- Tax assessments must conform to statutory and regulatory requirements.
- Administrative due process involves both an opportunity to submit a defense and a fair consideration of such submissions.

Class Notes:

- **Section 228 of NIRC:** Sets out comprehensive guidelines for tax assessments, including the need for due notice and clear periods for responses and protests.
- **Revenue Regulations No. 12-99:** Implements Section 228 and requires a 60-day period post-protest for submission of supporting documents.
- **Administrative Due Process:** Emphasizes fairness and the right of taxpayers to be fully heard and have their evidence considered before final assessments are made.
- **Case References:** Citing CIR v. Avon Products Manufacturing, Inc. for procedural adherence in tax assessments.

Historical Background:

The case contextually examines the systematic practice of the CIR's actions related to tax

assessments and underscores a necessary check against potential bureaucratic overreach. Historically, the decision reiterates established jurisprudence emphasizing the protection of due process rights in fiscal administrative proceedings—a safeguard designed to uphold citizens’ constitutional rights against arbitrary state action. The decision reflects on past judicial emphasis on strict compliance with procedural law to balance tax collection efficiency with taxpayer protections.