

****Title:****

Gonzalo P. Nava vs. Commissioner of Internal Revenue, G.R. No. L-20193, Decision September 25, 1961, 121 Phil. 117

****Facts:****

- May 15, 1951: Gonzalo P. Nava filed his 1950 income tax return.
- May 15, 1951: The Commissioner of Internal Revenue assessed Nava for P4,952.00 based on the return. Nava paid half, leaving a balance of P2,491.00.
- Nava offered to pay the balance with a backpay certificate, but the Commissioner refused.
- July 28, 1953: Nava requested a deferral on the collection of the balance pending a decision on using backpay, which was rejected on January 5, 1954.
- Subsequent demand letters for payment followed, with the last dated February 22, 1955.
- March 30, 1955: A deficiency income tax assessment notice was issued, recalculating Nava's liability to P9,421.50, including a 50% surcharge.
- Nava claimed he first learned of this revised assessment on December 19, 1956, prompting him to protest the assessment as time-barred.
- March 25, 1957: The Commissioner demanded payment of the new assessment.
- June 16, 1958: Nava's request for reconsideration was contingent upon waiving the statute of limitations, which he declined.
- July 22, 1958: Reconsideration was denied.
- August 8, 1958: Nava petitioned the Court of Tax Appeals (CTA) for review.
- The CTA reduced the deficiency to P3,052.00 and canceled the 50% surcharge.
- Nava appealed to the Supreme Court, arguing that the collection of the tax had prescribed.

****Issues:****

1. Whether the enforcement of the tax assessment had prescribed.
2. Validity and sufficiency of the notices sent by the Bureau of Internal Revenue (BIR).
3. Assessment computation and its accordance with the law.

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

1. ****Prescription of Tax Assessment:****
 - The Supreme Court found that substantial evidence did not support the issuance or mailing of the assessment notices within the regulatory period.
 - The presumption of receipt of mailed letters was not applicable due to lack of evidence showing proper mailing process.
 - Without proof of mailing or delivery within the statute of limitations, the collection action

had prescribed.

2. **Validity of Notices:**

- The Court held that the Revenue Commissioner's evidence (notations and memoranda) failed to prove that notices were sent or received within the prescribed period.
- Witnesses lacked personal knowledge or direct involvement in mailing notices.
- Receipt of the "second final notice" was not proof of receiving previous notices.

3. **Application of Legal Doctrine:**

- The court emphasized that legal actions for tax collection must respect statutory limitations periods.
- The Bureau of Internal Revenue's actions and records were inadequate to overcome the prescriptive period defense.

Doctrine:

- **Tax Assessments and Prescription:**

An assessment is considered made when it is sent within the prescribed period; however, sending and mailing must be clearly and satisfactorily proved.

- **Presumption of Mail Delivery:**

For the presumption that a mailed letter was received (Sec. 5(v), Rule 131, Rules of Court), proper addressing, postage, and mailing process must be proven.

Class Notes:

- **Prescription Period in Tax Cases:**

- Deficiency tax assessments must be made within five years from filing the return.
- Collection actions must be initiated within five years from making the assessment.

- **Evidence for Mailing Notices:**

- The presumption of receipt doesn't apply without proven addressing, postage, and mailing steps.
- Discrepancies or lack of personal knowledge weaken the validity of testimonies about mailing.

- **Section 331 and 332 of Tax Code:**

- Section 331: Assessment and collection must occur within designated periods.
- Section 332: Describes fraudulent returns and their impact on statute limitations.

Historical Background:

- Post-World War II Philippines faced financial reconstruction, leading to stricter tax enforcement and adjustments to statutory limits.
- The Bureau of Internal Revenue often encountered resistance and procedural challenges, reflecting broader tensions in the country's evolving fiscal administration.