

DY PEH, AND/OR VICTORY RUBBER MANUFACTURING, PETITIONER, VS. COLLECTOR OF INTERNAL REVENUE, RESPONDENT.

G.R. No. L-19375. May 21, 1969

Ponente: DIZON, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/a279a9c4d736/>

DIZON, J.:

Petition filed by Dy Peh for the review of the decision and resolution of the Court of Tax Appeals dated April 29 and December 23, 1961, respectively, in C.T.A. Case No. 538, ordering him to pay deficiency percentage taxes in the total amount of P51,939.27.

The following facts are not disputed:

Petitioner, during all the time material to this case, was engaged in the business of manufacturing and selling rubber shoes and allied products in the city of Cebu, under the re-gistered firm name Victory Rubber Manufacturing.

Sometime in the year 1955 the Bureau of Internal Revenue unearthed anomalies committed in the office of the Treasurer of the city of Cebu in connection with the payment of taxes by some taxpayers, amongst them petitioner herein. As a result the respondent assessed against, and demanded from petitioner the payment of the following sums: P4,725, in-cluding P100 as penalty, P29,980, including P50 as penalty, and P17,425 including P50 as penalty, on January 27, 1956, November 12, 1955 and November 12, 1955, respectively. This assessment was based upon short payments in connection with taxes due from petitioner during the periods covered by the assessment. The investigation of the anomalies disclosed that the amounts of the taxes allegedly paid by him, as appear-ing in the original of every official receipt he had in his possession, were bigger than the amounts appearing in the corresponding duplicate, triplicate and quadruplicate copy thereof kept in the office of the City Treasurer of Cebu. Such discrepancies are hereunder tabulated as follows:

Official Appearing in the Appearing in the Duplicate,

Receipt Original Triplicate and/or Quadruplicate

Number Date Amount

Re 1st cause of action Date Amount Difference

699004

4-20-54

P3,227.47

4-20-54

P227.47

P3,000.00

704201

7-20-54

3,681.41

7-20-54

681.41

3,000.00

709008

10-20-54

1,892.78

10-20-54

192.78

1,700.00

A-210319

1-20-55

2,575.46

1-20-55

175.46

2,400.00

A-218105

4-20-55

3,968.68

4-20-55

168.69

3,800.00

Re 2nd cause of action

1923194

4-21-52

P4,380.37

4-21-52

P380.37

P4,000.00

1972817

7-21-52

4,140.29

7-21-52

140.29

4,000.00

6399188

10-20-52

2,113.07

10-20-52

113.07

2,000.00

7769180

1-17-53

1,457.42

4-7-53

6.00

1,451.42

7778387

4-18-53

4,057.56

4-18-52

57.56

4,000.00

8423087

7-20-53

2,850.63

7-20-53

50.63

2,800.00

8470851

10-20-53

2,901.87

10-20-53

101.87

2,800.00

693613

1-20-54

2,996.26

1-20-54

96.26

2,900.00

Re 3rd cause of action

A-1709018

1-17-52

P3,815.18

1-17-52

P115.18

P3,700.00

Petitioner's contention below and here is this: since the checks issued by him covered in full the amount due for each quarter, and were accepted and deposited by the City Treasurer of Cebu; since the originals of the official receipts issued by the latter show that the full amount of the taxes due from him had been paid, he must be deemed to have paid such taxes in full, and any anomaly in the application of the amounts paid by him consisting in the diversion of part thereof to pay the taxes of other taxpayers - whether attributable solely to employees in the office of said Treasurer or to other parties - should not be held against him.

Respondent's contention, on the other hand, is that the amounts actually paid by petitioner were those appearing on the duplicates, triplicates and quadruplicates of the official receipts mentioned heretofore; that the originals thereof were falsified or altered to make them show payment in full of the taxes due from petitioner.

In connection with the issues thus joined petitioner tried to prove that the payments in question were made by him personally, while, on the other hand, respondent claimed that said payments were made not by petitioner personally but by Tan Chuan Liong, his authorized agent in the matter of payment of his taxes; that Bartolome Baguio, Chief of the Internal Revenue Division of the City Treasurer's Office of Cebu, had allowed the wrongful practice of permitting Tan Chuan Liong to prepare the official receipts in connection with tax payments made by him in behalf of his merchant clients; that it was Tan Chuan Liong who applied a portion of the amounts given to him by petitioner to pay tax obligations of other taxpayers, also his clients, and that therefore petitioner's recourse is against him.

Whether it was petitioner, in person, who made the pay-ment of his taxes herein involved, or it was his aforesaid agent, is manifestly a question of fact squarely resolved by the Court of Tax Appeals as follows:

"Petitioner sought to prove that he never em-plied Tan Chuan Liong as a business agent in the payment of the tax in question. The preponderance of the evidence shows otherwise. If as alleged, petitioner paid the tax personally, why were the official receipts prepared by Tan Chuan Liong and not by Bartolome Baguio or any authorized employee in the office of the City Treasurer of Cebu? It appears that Tan Chuan Liong prepared the official receipts of payments of taxpayers who employed him as business agent. It has not been shown that Tan Chuan Liong prepared any official receipt cover-ing payment of taxpayers other than those who em-plied him business agent."

After ruling against petitioner on this question, the Court of Tax Appeals said further:

"Even assuming that Tan Chuan Liong was not employed by petitioner as business agent, peti-tioner is not entirely blameless. The records show that the payments were made by checks. The numbers of the official receipts covering the payments are indicated on the back of the checks. After the checks had been deposited and the amounts credited in favor of the Government, the cancelled checks were returned to petitioner. Petitioner is, therefore, charged with knowledge of the fact that the amount covered by each check was applied in payment not only of his tax but also of taxes of other taxpayers, the numbers of the official receipts covering which are indicated on the back of the check. The fact that he accept-ed the cancelled checks without protest is evidence of his acquiescence to the manner in which the amount covered by each check was applied by the collecting officer. He cannot now be heard to com-plain."

We can hardly add any other consideration to strengthen the lower court's ruling.

Another question of fact vital to this case is whether or not the official receipts in petitioner's possession were falsified, and if so by whom.

In this connection, We believe it established as a fact that petitioner had employed Tan Chuan Liong as a business agent in the matter of payment of his taxes. The testimonies of Bartolome Baguio, Isidro Badana and Lauro Abalos on this matter (T.s.n. pp. 200-201, 472-473, 483-484, 501-503, 508--510, 525, 535-539) were corroborated by the statement and report of NBI handwriting expert Felipe Logan. That Tan Chuan Liong, as such petitioner's agent, actually paid to the government less than the amounts of the taxes due from petitioner is also fully proven by their testimonies and the duplicate, triplicate and quadruplicate copies of the official receipts which appear upon their face to be genuine or authentic. The same thing can not be claimed for the official receipts in question, because the lower court found that, as in the case of Tiu Bon Sin vs. Collector etc., C.T.A. No. 286, and Yap Pe Giok vs. Arenas, C.T.A. No. 533, appellant employed the same business agent who misappropriated a portion of the amounts entrusted to him and paid less than what was due from his principals. In plain words, the lower court expressed the view that the official receipts in peti-tioner's hands did not reflect the truth.

The trial court's ruling upon these questions must be sustained pursuant to our consistent ruling to the effect that in reviews of the nature of the present, only errors of law are reviewable by this Court (G. R. L-12174 Maria B. Castro vs. Collector, April 26, 1962; G. R. L-9738 Blas Gutierrez, et al. vs. Court of Tax Appeals; G. R. L-8556 Benito Sanchez vs. Commissioner of Customs, Sept. 30, 1957 and 54 O.G. No. 2, p. 361; Eugenio Perez vs. Court of Tax Appeals, G. R. L-10507, May 30, 1958, G. R. No. L-13387 Sy Chiuco vs. Collector, March 23, 1960, G. R. No. L-11622 Collector vs. Fisher and G.R. No. L-1168 Fisher vs. Collector, January 28, 1961).

The foregoing disposes of the first two assignments of error submitted in petitioner's brief. In the third, it is his contention that the Court a quo erred in holding that he is estopped from questioning the misapplication of his pay-ments.

This is only a corollary of the questions raised in the previous assignments of error. Inasmuch as We have held in resolving the latter that, in point of fact, Tan Chuan Liong was petitioner's agent, the conclusion must necessarily be that the, agent's acts bind his principal; without prejudice, of course, to the latter seeking recourse against him in an appropriate civil or criminal action.

The fourth and last assignment of error has been impliedly resolved adversely to petitioner in our rulings upon the first three.

PREMISES CONSIDERED, the decision appealed from is hereby affirmed, with costs.

Reyes, J.B.L., (Acting C.J.), Makalintal, Zaldivar, Sanchez, Fernando, and Capistrano, JJ., concur.

Teehankee and Barredo, JJ., took no part.

Concepcion, C.J., and Ruiz Castro, JJ., on official leave.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.