

COMMISSIONER OF INTERNAL REVENUE, PETITIONER, VS. LEONARDO S. VILLA AND THE COURT OF TAX APPEALS, RESPONDENTS.

G.R. No. L-23988. January 02, 1968

Ponente: BENGZON, J.P., J.

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BENGZON, J.P., J.:

Jurisdiction over the subject matter is fundamental for a court to act on a given controversy. It is conferred by law,[1] not by consent of the parties.[2] It can be challenged at any stage of the proceedings and for lack of it, a court can dismiss a case ex mero motu.[3]

To inquire into the existence of jurisdiction over the subject matter is the primary concern of a court, for thereon would depend the validity of its entire proceedings. In this case, the parties submitted voluntarily to the jurisdiction of the Court of Tax Appeals, adduced their evidence thereat. Thereafter, they submitted their cause for decision. At no stage of the proceedings have they raised the issue of jurisdiction. However, as aforesaid, the consent of the parties does not confer jurisdiction over the subject matter. Hence, We shall proceed to inquire whether or not the Court of Tax Appeals had jurisdiction to entertain the so-called appeal of the taxpayer in this case.

Leonardo S. Villa, a doctor of medicine, and his wife filed joint income tax returns for the years 1951, 1952, 1953, 1954, 1955 and 1956 on April 2, 1952, March 30, 1953, February 26, 1954, March 31, 1955, April 2, 1956 and March 23, 1957, respectively. Subsequently, the Bureau of Internal Revenue determined the income of the Villa spouses by the use of the networth method and accordingly issued on February 23, 1961 assessments for deficiency income tax for the years 1951, 1952, 1953, 1954 and 1956 and residence tax for 1951 to 1957. Dr. Villa received the assessments on April 7, 1961. Without contesting the said assessments in the Bureau of Internal Revenue, he filed on May 4, 1961 a petition for review in the Court of Tax Appeals.

The Court of Tax Appeals took cognizance of the appeal, tried the case on the merits and rendered the following judgment:

"IN VIEW OF THE FOREGOING CONSIDERATIONS, with the exception of that portion regarding the additional residence taxes and surcharges for the years 1951 to 1957 in the amount of P244.00, for which we hold petitioner liable, the decision appealed from is hereby reversed. The petitioner is ordered to pay to the Commissioner of Internal Revenue or his representative the sum of P244.00, as additional residence tax and surcharge, without pronouncement as to costs."

From said judgment, the Commissioner of Internal Revenue has appealed to Us.

The law conferring jurisdiction on the Court of Tax Appeals is found in Section 7 of Republic Act 1125, the pertinent part of which states:

"SEC. 7. Jurisdiction. - The Court of Tax Appeals shall exercise exclusive appellate jurisdiction to review by

appeal as herein provided ?

"(1) Decisions of the Collector[4] of Internal Revenue in cases involving disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties imposed in relation thereto, or other matters arising under the National Internal Revenue Code or other law or part of law administered by the Bureau of Internal Revenue;"

The word "decisions" in paragraph 1, section 7 of Republic Act 1125, quoted above, has been interpreted to mean the decisions of the Commissioner of Internal Revenue on the protest of the taxpayer against the assessments. Definitely, said word does not signify the assessment itself. We quote what this Court said aptly in a previous case:

"In the first place, we believe the respondent court erred in holding that the assessment in question is the respondent Collector's decision or ruling appealable to it, and that consequently, the period of thirty days prescribed by section 11 of Republic Act No. 1125 within which petitioner should have appealed to the respondent court must be counted from its receipt of said assessment. Where a taxpayer questions an assessment and asks the Collector to reconsider or cancel the same because he (the taxpayer) believes he is not liable therefor, the assessment becomes a 'disputed assessment' that the Collector must decide, and the taxpayer can appeal to the Court of Tax Appeals only upon receipt of the decision of the Collector on the disputed assessment, x x x"[5] (Emphasis supplied)

The same interpretation finds support in Section 11 of Republic Act 1125, which states:

"SEC. 11. Who may appeal; effect of appeal. - Any person, association or corporation adversely affected by a decision or ruling of the Collector of Internal Revenue, the Collector of Customs or any provincial or city Board of Assessment Appeals may file an appeal in the Court of Tax Appeals within thirty days after the receipt of such decision or ruling." (Emphasis supplied)

Note that the law uses the word "decisions", not "assessments", thus further indicating the legislative intention to subject to judicial review the decision of the Commissioner on the protest against an assessment but not the assessment itself.[6]

Since in the instant case the taxpayer appealed from the assessment of the Commissioner of Internal Revenue without previously contesting the same, the appeal was premature and the Court of Tax Appeals had no jurisdiction to entertain said appeal. For, as stated, the jurisdiction of the Tax Court is to review by appeal decisions of the Commissioner of Internal Revenue on disputed assessments. The Tax Court is a court of special jurisdiction. As such, it can take cognizance only of such matters as are clearly within its jurisdiction.[7]

WHEREFORE, the judgment appealed from is set aside for lack of jurisdiction and the petition for review filed in the Court of Tax Appeals is hereby ordered dismissed. No costs.

SO ORDERED.

Concepcion, C.J., Reyes, J.B.L., Dizon, Makalintal, Zaldivar, Sanchez, Ruiz Castro, Angeles, and Fernando, JJ., concur.

[1] 21 Corpus Juris Secundum, 127-128.

[2] *Molina v. De la Riva*, 6 Phil. 12; *Fuentebella v. Negros Coal Co.*, 50 Phil. 69; *Vega v. San Carlos Milling Co.*, 51 Phil. 908.

[3] *US v. De la Santa*, 9 Phil. 22; *Vda. e Hijos de Pedro Rojas v. Rafferty*, 37 Phil. 957.

[4] Now Commissioner.

[5] *St. Stephen's Association and St. Stephen's Chinese Girl's School v. Collector of Internal Revenue*, 104 Phil. 314, 317; cited in *Baguio Country Club Corporation v. Collector of Internal Revenue, et al.*, L-11419, April 22, 1959 and *Commissioner of Internal Revenue v. Lilia Yasay Gonzales, et al.*, L-19495, Nov. 24, 1966.

[6] See *Villamin v. Court of Tax Appeals*, L-11536, Oct. 31, 1960.

[7] *Ker & Co., Ltd. v. Court of Tax Appeals*, L-12396, Jan. 31, 1962.

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