

**REPUBLIC OF THE PHILIPPINES, PLAINTIFF AND APPELLANT, VS.  
LUIS G. ABLAZA, DEFENDANT AND APPELLEE.***G.R. No.14519. July 26, 1960*

Ponente: LABRADOR, J.

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Appeal from a judgment of the Court of First Instance of Manila, Hon. Carmelino G. Alvendia, presiding, dismissing an action instituted by the Government to recover income taxes from the defendant-appellee corresponding to the years 1945, 1946, 1947 and 1948.

The record discloses that on October 3, 1951, the Collector of Internal Revenue assessed income taxes for the years 1945, 1946, 1947 and 1948 on the income tax returns of defendant-appellee Luis G. Ablaza. The assessments total P5,254.70 (Exhibit "I"). On October 16, 1951, the accountants for Ablaza requested a reinvestigation of Ablaza's tax liability, on the ground that (1) the assessment is erroneous and incomplete; (2) the assessment is based on third-party information and (3) neither the taxpayer nor his accountants were permitted to appear in person (Exh. "J"). The petition for reinvestigation was granted in a letter of the Collector of Internal Revenue, dated October 17, 1951. On October 30, 1951, the accountants for Ablaza again sent another letter to the Collector of Internal Revenue submitting a copy of their own computation (Exh. "L"). On October 23, 1952, said accountants again submitted a supplemental memorandum (Exh. "M"). On March 10, 1954, the accountants for Ablaza sent a letter to the examiner of accounts and collections of the Bureau of Internal Revenue, stating:

"In this connection, we wish to state that this case is presently under reinvestigation as per our request dated October 16, 1951, and your letter to us dated October 17, 1951, and that said tax liability being only a tentative assessment, we are not as yet advised of the results of the requested reinvestigation.

"In view thereof, we wish to request, in fairness to the taxpayer concerned, that we be furnished a copy of the detailed computation of the alleged tax liability as soon as the reinvestigation is terminated to enable us to prove the veracity of the taxpayer's side of the case, and if it is found out that said assessment is proper and in order, we assure you of our assistance in the speedy disposition of this case." (Exh. "P")

On February 11, 1957, after the reinvestigation, the Collector of Internal Revenue made a final assessment of the income taxes of Ablaza, fixing said income taxes for the years already mentioned at P2,066.56 (Exh. "Q"). Notice of the said assessment was sent (Exhs. "V", "W" and "X") and upon receipt thereof the accountants of Ablaza sent a letter to the Collector of Internal Revenue, dated May 8, 1957, protesting the assessments, on the ground that the income taxes are no longer collectible for the reason that they have already prescribed. As the Collector did not agree to the alleged claim of prescription, action was instituted by him in the Court of First Instance to recover the amount assessed. The Court of First Instance upheld the contention of Ablaza that the action to collect the said income taxes had prescribed. Against this decision the case was brought here on appeal, where it is claimed by the Government that the prescriptive period has not fully run at the time of the assessment, in view especially of the letter of the accountants of Ablaza, dated March 10, 1954, pertinent provisions of which are quoted above.

It is of course true that when on October 14, 1951, Ablaza's accountants requested a reinvestigation of the assessment of the income taxes against him, the period of prescription of action to collect the taxes was suspended. (Sec. 3S3, C. A. No. 466.) The provision of law on prescription was adopted in our statute books upon recommendation of the tax commissioner of the Philippines which declares:

"Under the former law, the right of the Government to collect the tax does not prescribe. However, in fairness to the taxpayer, the Government should be estopped from collecting the tax where it failed to make the necessary investigation and assessment within 5 years after the filing of the return and where it failed to collect the tax within 5 years from the date of assessment thereof. Just as the government is interested in the stability of its collections, so also are the taxpayers entitled to an assurance that they will not be subjected to further investigation for tax purposes after the expiration of a reasonable period of time." (Vol. II, Report of the Tax Commission of the Philippines, pp. 321-522)

The law prescribing a limitation of actions for the collection of the income tax is beneficial both to the Government and to its citizens; to the Government because tax officers would be obliged to act promptly in the making of assessment, and to citizens because after the lapse of the period of prescription citizens would have a feeling of security against unscrupulous tax agents who will always find an excuse to inspect the books of taxpayers, not to determine the latter's real liability, but to take advantage of every opportunity to molest peaceful, law-abiding citizens. Without such a legal defense taxpayers would furthermore be under obligation to always keep their books and keep them open for inspection subject to harassment by unscrupulous tax agents. The law on prescription being a remedial measure should be interpreted in a way conducive to bringing about the beneficent purpose of affording protection to the taxpayer within the contemplation of the Commission which recommend the approval of the law.

The question in the case at bar boils down to the interpretation of Exhibit "P", dated March 10, 1954, quoted above. If said letter be interpreted as a request for further investigation or a new investigation, different and distinct from the investigation demanded or prayed for in Ablaza's first letter, Exhibit "L", then the period of prescription would continue to be suspended thereby. But if the letter in question does not ask for another investigation, the result would be just the opposite. In our opinion the letter in question, Exhibit "P", does not ask for another investigation. Its first paragraph quoted above shows that the reinvestigation then being conducted was by virtue of its request of October 16, 1951. All that the letter asks is that the taxpayer be furnished a copy of the computation. The request may be explained in this manner: As the reinvestigation was allowed on October 1, 1951 and on October 16, 1951, the taxpayer supposed or expected that at that time, March, 1954 the reinvestigation was about to be finished and he wanted a copy of the reassessment in order to be prepared to admit or contest it. Nowhere does the letter imply a demand or request for a different or new and distinct reinvestigation from that already requested and, therefore, the said letter may not be interpreted to authorize or justify the continuance of the suspension of the period of limitations.

We find the appeal without merit and we hereby affirm the judgment of the lower court dismissing the action. Without costs.

Paras C. J., Bengzon, Montemayor, Bautista Angelo, Concepcion, Reyes, J. B. L., Endencia, Barrera, and Gutierrez David, JJ., concur.

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