

REPUBLIC OF THE PHILIPPINES, PETITIONER, VS. JOSE RAZON AND JAI-ALAI CORPORATION, RESPONDENTS. JAI-ALAI CORPORATION OF THE PHILIPPINES, PETITIONER, VS. REPUBLIC OF THE PHILIPPIN...

G.R. Nos. 17462 and 17472. May 29, 1967

Ponente: DIZON, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-nos-17462/>

DIZON, J.:

Appeals taken by the Republic of the Philippines - hereinafter referred to as the Republic - and the Jai Alai Corporation of the Philippines - hereinafter referred to as the Jai Alai - from the decision rendered by the Court of Tax Appeals on August 4, 1960 in Case No. 15566, ordering the Jai Alai to pay to the Republic the sum of P12,000.00 representing the 12% withholding tax on the amount of P80,000.00 it paid to Haig Assadourian, plus surcharge, and dismissing the complaint, insofar as it concerned defendant Jose Razon, as well as the cross-claim of the Jai Alai against the latter.

In view of Razon's death on February 11, 1961, Marina Baretto, his widow and administratrix of his Intestate Estate (Special Proceeding No. 46754 of the Court of First Instance of Manila) was substituted in his place on July 17 of the same year.

As the two appeals are interrelated and involve common issues, we consider them jointly in this decision.

The case and the facts involved - mostly, if not all - undisputed are stated in the appealed decision as follows:

"This is an action instituted by the Republic of the Philippines to collect from defendant Jose Razon the amount of P73,522.62, as alleged income tax due from Haig Assadourian for the year 1946, including surcharges and interests up to December 31, 1951, and from defendants Jose Razon and Jai-Alai Corporation, jointly and severally, the sum of P30,080.00, exclusive of penalties, surcharges and interests, as income taxes due also from Haig Assadourian, for the years 1947 and 1948.

"The original complaint was filed with the Court of First Instance of Manila on January 8, 1952 solely against defendant Jose Razon. On January 16, 1953, the plaintiff amended its complaint, including the Jai-Alai Corporation as party defendant, and asserting two (2) causes of action. Under the first cause of action, the plaintiff seeks to recover from defendant Jose Razon as attorney-in-fact of Haig Assadourian, the amount of P73,522.62 as the latter's income tax liability for the year 1946, computed as of December 31, 1951; and, under the second cause of action, the plaintiff seeks to recover jointly and severally from defendants Jose Razon and Jai-Alai Corporation as withholding agents, the 12% withholding tax amounting to P30,080.00, exclusive of penalties, surcharges and interests, due on the income received by Haig Assadourian for the years 1947 and 1948 pursuant to the provisions of Section 53 (b) and (c) of the National Internal Revenue Code. In addition, defendant Jose Razon is sought to be held liable for the payment of the said sum of P30,080.00 for being the attorney-in-fact of Haig Assadourian.

"On February 6, 1953, defendant Jose Razon filed his answer to the amended complaint. On July 23, 1953,

defendant Jai-Alai Corporation filed its answer to the amended complaint, with a cross-claim against its co-defendant Jose Razon, who in turn filed, on August 1, 1953, his answer to the cross-claim. On April 6, 1955, the Court of First Instance of Manila remanded this case to this Court for final determination and disposition pursuant to Section 22 of Republic Act No. 1125.

"Anent the first cause of action, the following facts were established: Haig Assadourian, a citizen of Egypt, was previously admitted to the Philippines for permanent residence. (Exh. 2-Jose Razon, p. 42 CTA rec.) He was considered a legal resident of the Philippines as of September 13, 1940 (Exh. 1-Jose Razon, pp. 40-41 CTA rec.), and resided in the Philippines from 1940 to 1945. (Exh. A & 14-Jai-Alai, p. 470 BIR rec.) He had his residence at the University of Santo Tomas España St., Manila, and was the general manager of the Jai-Alai Corporation. (Exh. 1-Jose Razon, p. 40 CTA rec.)

"With the intention of going to the United States for rest and business, Haig Assadourian filed, on October 19, 1945, an application for a re-entry permit with the Bureau of Immigration, stating in his application among others, that the length of his proposed absence in the Philippines was indefinite. He was granted the permit to reenter the Philippines as a non-immigrant, with expiry date on October 19, 1946, which was extended for another year ending on October 19, 1947. (Exh. 2-Jose Razon, p. 42 CTA rec.)

"On March 4, 1946, a certain JACK GEORGE, re-siding at 529 Aviles, Manila, executed a 'Guaranty' (Exhs. 3-Jose Razon & 4-Jai Alai, p. 215 BIR rec.), assuming the tax responsibility of Haig Assadourian and binding himself 'to pay such internal revenue taxes, surcharges and interests as may be found to be due from him' (Haig Assadourian) prior to his departure or during his absence from the Philippines.

"On March 5, 1946, Haig Assadourian filed an application for a tax clearance certificate (Exhs. A & 14-Jai-Alai, p. 470 BIR rec.) with the Bureau of Internal Revenue, stating among others, that he was leaving the Philippines for the United States on March 8 or 9, 1946, and that for the purpose of filing his tax returns, paying and compromising taxes that may be assessed against him during his absence, he has appointed defendant Jose Razon. On the same day, Haig Assadourian was issued Tax Clearance Certificate No. V-2257 (Exhs. 9-Jai Alai & 12-Jose Razon, p. 94, BIR rec.) on the strength of the guaranty signed by Jack George. (Exh. 9-A Jose Razon, p. 257 BIR rec.) He departed in 1946 and since then he never returned to the Philippines. His last known address is Los Angeles, California, U.S.A. (Exh. K, p. 57 CTA rec.)

"During his stay in the Philippines, Haig Assadourian did not engage in trade or business. However his wife, Mrs. Valentina Assadourian, was a partner in the business firm known as Alaska Ice Cream Factory (Exh. Z, p. 183 BIR rec.). He had no properties, real or personal, except the 100 shares of stock in the Jai-Alai Corporation and another 100 shares in the name of his wife in the same corporation. (Exh. Y, p. 184 BIR rec.)

"On March 1, 1947, Jose Razon, in behalf of Haig Assadourian, filed an income tax return for 1946 (Exh. B, p. 469 BIR rec.), showing a net income of P156,194.93 and giving as source thereof his salary and other income from the Alaska Ice Cream Factory. On the same day, Jose Razon, as the 'duly named attorney-in-fact' of Haig Assadourian, wrote the Collector of Internal Revenue (Exh. C, p. 468 BIR rec.), requesting approval of an installment plan for the payment of the income tax liability for 1940, 1941 and 1946.

"On March 19, 1947 (Exh. D, pp. 466-467 BIR rec.), the Deputy Collector of Internal Revenue approved the installment plan for the payment of the 1940 and 1941 deficiency income tax of Haig Assadourian, but denied the request for the payment of the 1946 income tax by installment, and at the same time enclosed a tax assessment notice (Exh. B, p. 369 BIR rec.) calling for the payment of P48,731.87. As the assessment was not paid, the Collector of Internal Revenue, on September 13, 1948, addressed another letter to Jose Razon (Exh. F, pp. 464-465 BIR rec.) again demanding the payment of the 1940, 1941 and 1946 income tax liability of Haig Assadourian, which, as of October 15, 1948, was in the total amount of P64,506.34.

"Meanwhile, on May 2, 1950, the Collector of Internal Revenue wrote a letter to Jack George (Exh. 18-Jose Razon, p. 187 BIR rec.), the guarantor of the tax liabilities of Haig Assadourian, demanding from him the

payment of the 1940, 1941 and 1946 tax liability of Haig Assadourian. Since Jack George refused to pay the tax liability of Haig Assadourian, the Collector of Internal Revenue, on January 9, 1951, wrote the Solicitor General (Exh. 8-Jose Razon, pp. 194-197 BIR rec.), requesting that a civil action be filed against Jack George, as guarantor of Haig Assadourian to collect the income tax liabilities for 1940, 1941 and 1946 of the latter in the total amount of P77,142.03 as of November 21, 1950.

"Subsequently, on July 9, 1951 (Exh. G, p. 463 BIR rec.), August 3, 1951 (Exh. H, p. 462 BIR rec.), September 25, 1951 (Exh. I, p. 459 BIR rec.) and December 11, 1951 (Exh. J, p. 458 BIR rec.), the Collector of Internal Revenue sent follow-up letters to Jose Razon for the payment of the assessed tax liability of Haig Assadourian. According to the latest letter, Exhibit J (p. 458 BIR rec.), the 1946 income tax liability of Haig Assadourian amounted to P73,522.62 as of December 31, 1951.

"Relative to the second cause of action, the following facts were established. In 1949, while BIR Examiner Narciso Rosales was examining the books of the Jai-Alai Corporation for income tax purposes, he came across an indenture (Exh. K, pp. 57-58, CTA rec.) executed between Haig Assadourian and the Jai-Alai Corporation. It appears from this indenture that on August 6, 1947, the Jai-Alai Corporation, duly represented by its Vice-President, Jose Razon, entered into a contract in the City of Los Angeles, California, U.S.A. with Haig Assadourian, as manager of the Jai-Alai Corporation, whereby the latter, in consideration of the amount of P200,000.00, acknowledged full payment of the latter's claim for management percentage fees earned for the years 1946 to 1950 and any or all future claims against the Jai-Alai Corporation. The payment of percentage fees to Haig Assadourian was in accordance with certain management contracts, dated July 30, 1939 and November 18, 1940, with the Jai-Alai Corporation, by virtue of which Haig Assadourian operated the Jai-Alai Fronton, and which contracts were to continue up to the end of the year 1950, but were terminated by the indenture. Finally, under the terms of the indenture, the sum of P200,000.00 was to be paid by the Jai-Alai Corporation in installments as follows: (1) P40,000.00 on or before August 20, 1947; and (2) P20,000.00 on or before the 20th day of each month, beginning the month of September of 1947 up to and including the month of April, 1948.

"On the basis of the payments to Haig Assadourian, Examiner Rosales filed for Haig Assadourian an income tax return for 1947 (Exh. L, p. 456 BIR rec.; Exh. 2-Jai Alai p. 426 BIR rec.), showing the income of P120,000.00 and another income tax return for 1948 (Exh. M, p. 455 BIR rec.; Exh. 3-Jai Alai, p. 428 BIR rec.), showing an income of P20,000.00.

"On November 10, 1952, the Collector of Internal Revenue, wrote a letter to defendant Jai-Alai Corporation, demanding the payment of taxes corresponding to 12% of the amount of P200,000.00 which it allegedly paid to Haig Assadourian and which it should have withheld according to Section 53 (b) and (c) of the Tax Code (Exh. N, p. 453-454, BIR rec.), enclosing therewith assessment notices Nos. AR-1060-52/47 and AR-1061-52/48 for the years 1947 and 1948, respectively, in the total amount of P30,080.00 (Exhs. O & P, pp. 452 & 450 BIR rec.).

"On November 22, 1952, J. Laurea, in behalf of the Jai-Alai Corporation, wrote a letter (Exh. S-Jail-Alai, p. 328 BIR rec.) to the Collector of Internal Revenue, requesting the latter to rescind the assessment on the ground that, owing to the financial inability of the Jai-Alai Corporation 'to pay the purchase price to Mr. Haig Assadourian, decided to subrogate its rights to one of the stockholders of the Corporation, Senator Vicente Madrigal' and 'instead of the Jai-Alai Corporation paying for the price contracted, Senator Madrigal paid the agreed price to the legal representative of Mr. Assadourian, who was then in the United States'.

"On December 19, 1952, a similar letter of demand (Exh. Q, pp. 447-448 BIR rec.) was sent to Jose Razon, enclosing the same assessment notices for the years 1947 and 1948, in the total amount of P30,080.00 (Exhs. R & S, pp. 444, 445, BIR rec.).

"Acting on the information contained in the letter of J. Laurea, the Collector of Internal Revenue, on December 29, 1952, wrote a letter (Exh. 12-Jai Alai, pp. 335-336 BIR rec.) to Vicente Madrigal, assessing and demanding

from him the payment of the withholding tax in the amount of P30,080.00 on the P200,000.00 he paid to Haig Assadourian for the year 1947 and 1948 and which he should have withheld pursuant to Section 53 (b) and (c) of the Tax Code. Mean-while, on January 2, 1953, the Collector of Internal Revenue wrote to the Solicitor General, requesting the inclusion of Vicente Madrigal as party defendant in this case, (Exh. 13-Jai Alai, p. 339 BIR rec.)

"On January 10, 1953, J. Laurea, this time acting for and in behalf of Vicente Madrigal, wrote a letter (Exh. 6-Jai Alai, p. 442 BIR rec.) to the Collector of Internal Revenue in connection with the letter of demand dated December 29, 1952, claiming among others, that as 'Senator Madrigal has made the payment of the purchase price of the right to the legal repre-sentative of Mr. Assadourian in Manila', he is not liable for the payment of withholding tax."

The substantial points raised by the Republic as appellant (G.R. No. L-17462) are that the Court of Tax Appeals erred: firstly, in not holding the Jai Alai liable, under Section 53(b) of the National Internal Revenue Code, for the payment of withholding tax an the amount of P120,000.00 paid by Madrigal & Co., Inc. or by Vicente Madrigal to Assadourian; secondly, in not holding Jose Razon similarly liable, under the same legal provision, for the tax due on the sum of P160,000.00 paid to the same party, and lastly, in not awarding 1% interests monthly on the amount the Court found due from the Jai Alai to the Republic, in accordance with Section 51(e) of the National Internal Revenue Code.

On the other hand, the Jai Alai as appellant (G.R. No. L-17472) claims that the Court of Tax Appeals erred firstly, in holding that the money paid to Assadourian by Jai Alai was salary, emolument, remuneration or determinable profit or income within the purview of Section 53(b) of the National Internal Revenue Code, instead of declaring that it was the consideration of a contract of purchase and sale of an inchoate or contingent interest pertaining to Assadourian, and erred, consequently in finding the Jai Alai liable as withholding agent for the payment of the total sum of P12,000.00 representing the alleged withholding tax on the amount of P80,000.00 it paid to Assadourian; secondly, in holding the aforesaid provision of the National Internal Revenue Code applicable to the Jai Alai inspite of the fact that Assa-dourian - to whom the amount aforesaid was paid - was not and could not be considered as a non-resident alien not engaged in trade or business in the Philippines within the purview of the tax code; thirdly, in finding that when the payments in question were made to, and accepted by Jose Razon, the latter, as Vice-President of the Jai Alai, was but an extension of the latter's personality, and finally, in not holding that the right to recover said withholding tax from the Jai Alai had already prescribed.

Although the Court of Tax Appeals dismissed, as against the now deceased Jose Razon, the two causes of action alleged in the complaint filed by the Republic, it appears from the errors assigned in the latter's brief in G.R. No. L-17462 that it questions only that portion of the appealed decision which disposes of the second cause of action where it seeks to hold Razon and the Jai Alai jointly and severally liable as withholding agents for the withholding tax due on the income received by Assadourian for the years 1947 and 1948. This appeal, therefore, does not cover that portion of the aforesaid decision dismissing the first cause of action which was for the recovery from Jose Razon alone of the amount of P73,522.62 representing Assadourian's alleged income tax liability for the year 1946, computed as of December 31, 1951.

It must be stated further that the Republic sued Razon in relation to both causes of action either as guarantor of Assadourian's tax liability, or as the latter's attorney-in-fact with the obligation to file his income tax returns and pay or compromise the tax due on his income, or - inferentially at least - in his personal capacity as he became personally liable because of his failure to withhold the tax due on the income of Assadourian.

Having thus limited and clarified the true issue before Us, We now proceed to consider the claim of Jai Alai (and also of Razon as appellee) to the effect that Assadourian was not and could not be considered as a non-resident

alien not engaged in trade or business in the Philippines within the purview of Section 53(b) of the National Internal Revenue Code which provides:

"(b) Nonresident aliens. - All persons, corporations and general co-partnerships (companias colectivas), in whatever capacity acting, including lessees or mortgagors of real property, trustees acting in any trust capacity, executors, administrators, receivers, conservators, fiduciaries, employers, and all officers and employees of the Government of the Philippines having the control, receipt, custody, disposal, or payment of interest, dividends, rents, salaries, wages, premiums, annuities, compensation, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income of any nonresident alien individual, not engaged in trade or business within the Philippines therein, shall (except in the cases provided for in subsection (a) of this section) deduct and withhold from such annual or periodical gains, profits, and income a tax equal to twenty per centum thereof: Provided, That no such deduction or withholding shall be required in the case of dividends paid by a foreign corporation unless (1) such corporation is engaged in trade or business within the Philippines and (2) more than eighty-five per centum of the gross income of such corporation for the three-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence) was derived from sources within the Philippines as determined under the provisions of section thirty-seven: Provided, Further, That the Commissioner of Internal Revenue may authorize such tax to be deducted and withheld from the interest upon any securities the owner of which are not known to the withholding agent."

As is obvious, the above contention is decisive upon Razon and Jai Alai's liability as withholding agents. Were it true that Assadourian was not and could not be considered as a nonresident alien not engaged in trade or business in the Philippines, there could be no case for the application of the legal provision concerning withholding agents, with the result that the Republic would have no case against the Jai Alai and Razon.

The question, however, is one no longer reviewable because it is one of fact. The Court of Tax Appeals having definitely found and declared as a fact that Assadourian was a nonresident alien not engaged in trade or business in the Philippines, We must necessarily follow the settled rule in this jurisdiction that findings of fact of the Court of Tax Appeals are not reviewable by Us, as long as they are supported by substantial evidence which, in our opinion, is precisely the case in the one now before Us (*Gutierrez etc. vs. Court of Tax Appeals et al.*, 54 O.G. 2912; Section 2, Rule 44, Rules of Court).

Jai Alai's next contention is that the total amount of P200,000.00 paid to Assadourian in the years 1947 and 1948 was not payment of "interest, dividends, x x x compensation, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income" within the purview of Section 53(b) of the National Internal Revenue Code, but was, instead, the consideration for the sale of an inchoate or contingent interest belonging to Assadourian to which said legal provision does not apply.

When and how, on several occasions, the amount aforesaid was paid to Assadourian is shown by the record as follows:

In the year 1947, the amount of P40,000.00 was paid directly by the Jai Alai on September 2 by telegraphic transfer (through the Bank of the Philippine Islands) sent to Assadourian at 277 South Beverly Drive, Beverly Hills, California, U.S.A. On November 7, November 20, December 17, and December 24, all of the same year 1947, four different amounts of P20,000.00 each were paid, the first two by the Jai Alai and the remaining two by Madrigal & Company, Inc. to Jose Razon for and on behalf of Assadourian. On February 11, March 11, April 10 and June 2, all of the year 1948, four separate amounts of P20,000.00 each were paid by Madrigal and Company, Inc. to Jose Razon. The latter remitted all said amounts to Assadourian at the address already referred to.

According to the evidence, Assadourian, an Egyptian citizen, was admitted to the Philippines on September 13,

1940. From October of that year to January 1945, he was the general manager of the Jai Alai Corporation, a duly organized entity under the laws of the Philippines engaged during all that time, under the name of Jai Alai Stadium, in a form of legalized gambling, in which corporation Assadourian and his wife owned 200 shares of stock. On March 5, 1946, after he had appointed Jose Razon as his attorney in-fact or agent "for the purpose of filing my (his) tax returns and paying and compromising the taxes which may be assessed against me (him) during my (his) absence" and after securing a tax clearance upon the guaranty of one Jack George, Assadourian left the Philippines for the United States. Since then he had been residing in the City of Los Angeles, California, His re-entry permit expired, in fact, on October 14, 1947. On August 5, 1947 and in said city, the Jai Alai, represented by its Vice-President Jose Razon, entered into a contract with Assadourian, whereby the latter, in consideration of the sum of P200,000.00, acknowledged full payment of all his claims for percentages earned by the Jai Alai Stadium for the years 1940 to 1945, and to be earned during the years 1946 to 1950 (Exhibit K). The contract expressly terminated the management contracts executed between the same parties on July 30, 1939 and November 18, 1940, pursuant to which Assadourian, as manager of the Jai Alai Stadium located in the City of Manila, was to receive a certain percentage of the receipts of the business. These "percentages earned, accrued, and uncollected for the years 1940 to 1945, both inclusive;" and "percentages to be earned or accrued during the years 1946 to 1950, both inclusive" (Exhibit K) were the ones which Assadourian considered fully paid with the afore-said sum of P200,000.00 which he subsequently received.

The bare facts stated above are, in our opinion, sufficient to show the lack of merit of Jai Alai's contention that the aforesaid sum was the purchase price of certain inchoate or contingent interests belonging to Assadourian. To the contrary, the undisputed facts of the case show beyond cavil that said amount was in payment of percentages or income earned by Assadourian during the years aforesaid out of the profits realized by the Jai Alai stadium. Being so, it was taxable, and the corresponding withholding tax should have been withheld by "such persons, corporations, and general co-partnerships who had the control, receipt, custody, disposal, or payment thereof to the person entitled to it".

But both the Jai Alai and Razon claim not to fall under the provisions of Section 53(b) of the National Internal Revenue Code precisely because they did not have the control, receipt, custody, or disposal of the alleged taxable amount. Again we find this to be without merit.

With respect to the P40,000.00 sent or paid by the Jai Alai itself by telegraphic transfer to Assadourian on September 2, 1947, its liability is beyond question.

With respect to the two different amounts of P20,000.00, each paid to Jose Razon on November 7 and November 20 of the year 1947, it is also clear that it was the Jai Alai, through its then Vice-President Jose Razon, who had custody and had disposed of and paid said amounts. In this connection it must be borne in mind that, in connection with these two payments and the later payments made in the years 1947 and 1948, Razon had a dual personality: he acted as the Vice-President and, therefore, the representative of the Jai Alai, and at the same time as the attorney-in-fact of Assadourian. In Exhibit C (BIR record p. 468) he clearly admitted that he was such attorney-in-fact. When he received the amounts from the Jai Alai to effect the payment to Assadourian, he at the same time accepted the payment as attorney-in-fact of the latter with the obligation of remitting them to him - as, in fact, he did. Consequently, not only the Jai Alai but Razon also must be deemed to be withholding agents within the purview of Section 53(b) of the National Internal Revenue Code, and it was their duty, before actually paying the amounts to Assadourian, to deduct the corresponding income tax due thereon.

In relation to the different amounts of P20,000.00 each paid to Jose Razon under similar circumstances on December 17 and December 24, 1947, and on February 11, March 11, April 10 and June 2, of the year 1948, it is claimed that they were not payments made by the Jai Alai but by Madrigal & Company, Inc., and that inasmuch

as the former did not have the control over said amounts and did not dispose of or pay them to Assadourian or his representative, the legal provision already referred to does not apply to it. This could be true, indeed, if the record did not sufficiently disclose that Vicente Madrigal was the controlling stockholder of the Madrigal & Company, Inc. and of the Jai Alai Corporation up to the time of the trial below (transcript, p. 207). In fact, the payments of P20,000.00 each made in the name of Madrigal & Company, Inc. were charged to the personal account of Vicente Madrigal. Therefore, piercing the veil of corporate fiction, it can be said that said payments, albeit made in the name of Madrigal & Company, Inc., and later charged to the personal account of Vicente Madrigal, were really payments made by the Jai Alai.

What has been said heretofore leads us inexorably to the conclusion that the Jai Alai was a withholding agent, and as such should have withheld the corresponding tax from the total amount of P200,000.00, pursuant to Section 53, subparagraphs (b) and (c) of the Revised Internal Revenue Code.

Razon or his Intestate Estate, however, may be held liable in the same capacity only as regards the total amount of P160,000.00 which he had received and disposed of simultaneously as Vice-President of the Jai Alai and as attorney-in-fact of Assadourian, because he had no part in the payment of the first amount of P40,000.00 by the Jai Alai through telegraphic transfer sent directly to Assadourian in the City of Los Angeles, California.

With the above, We consider as sufficiently disposed of the first, third and fourth assignments of error made by the Republic in its brief as appellant, as well as the first, second and third assignments of error made in the Jai Alai's brief in the same capacity.

As a result, the decision appealed from is modified by sentencing the Jai Alai to pay the Republic the corresponding withholding tax on the total of the amounts paid to Assadourian, as follows:

12% withholding tax on the total amount of P120,000.00 paid to Assadourian in the year 1947.....	P14,400.00
25% surcharge.....	3,600.00
Total amount due.....	P18,000.00

On the total amount of P80,000.00 paid to the same party in the year 1948, 12% withholding tax.....	P9,600.00
25% surcharge.....	2,400.00
Total amount due.....	P12 000.00

In addition to these amounts of P18,000.00 and P12,000.00, the Jai-Alai is ordered to pay interest at the rate of 1% per month (Section 51 [d] and [e] of the Revised Internal Revenue Code) from November 20, 1952, in accordance with the income tax assessment notices Exhibits O and P.

Similarly, judgment is hereby rendered sentencing the Intestate Estate of Jose Razon, herein represented by the Administratrix, to pay the Republic as follows:

12% withholding tax on the total amount paid to Assadourian, through him, amounting to P80,000.00, in the year 1947.....	P9,600.00
25% surcharge.....	2,400.00
Total amount due.....	P12,000.00

12% withholding tax on the amount of P80,000.00 paid to Assa-dourian, through him, in the year 1948..... P9,600.00

25% surcharge..... 2, 400.00

Total amount due.....P12, 000.00

In addition, the same Intestate Estate is ordered to pay interest on both amounts at the rate of 1% per month (Section 51[d] and [e] of the Revised Internal Revenue Code) from January 15, 1953, in accordance with the income tax assessment notices Exhibits R and S.

The liability of the Jai Alai and of the Intestate Estate of the deceased Jose Razon for the withholding taxes, surcharges, and interests due on the amount of P80,000.00 paid to Assadourian in the year 1947 and the total amount of P80,000.00 paid to the same party in the year 1948 shall be joint and several.

The procedural question raised by the Republic in its second assignment of error needs no further discussion in view of our resolution on the other four assignments of error of the same party.

Now, to the last point raised in the brief of the Jai Alai as appellant to the effect that the cause of action of the Republic to recover the withholding taxes in question had already prescribed when the action was commenced below. In refutation thereof, We deem it sufficient to quote the following portion of the decision under review:

"In connection with the defense of defendant Jai-Alai Corporation that the right to collect the tax has already prescribed, the record shows that it failed to file a withholding tax return for the amount of P80,000.00 paid to Haig Assadourian in 1947. For its omission to file a withholding tax return, Section 332(c) of the Tax Code, which provides that 'a proceeding in court for the collection of such tax may be begun without assessment, at any time within ten years after the discovery of the x x x omission', should be applied. The failure to file a return was discovered in 1949, during the investigation conducted by BIR examiner Narciso Rosales. The judicial suit was initiated on January 16, 1953 when the Jai Alai Corporation was included as party defendant in the amended complaint. Only 4 years elapsed from the time of the discovery of the omission to file a return to the filing of a judicial action against the Jai-Alai Corporation consequently, the right to judicially collect the withholding tax has not prescribed."

WHEREFORE, modified as above indicated, the decision appealed from is affirmed in all other respects. With costs.

Concepcion, C.J., Reyes, J.B.L., Regala, Makalintal, Bengzon, J.P., Zaldivar, Sanchez, and Castro, JJ., concur.

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.