Supreme Court E-Library

FIRST DIVISION

[G.R. No. 69344. April 26, 1991]

REPUBLIC OF THE PHILIPPINES, *petitioner, vs.* **INTERMEDIATE APPELLATE COURT and SPOUSES ANTONIO and CLARA PASTOR,** *respondents.*

SYLLABUS

1. TAXATION; TAX AMNESTY; GOVERNMENT ESTOPPED FROM COLLECTING DIFFERENCE BETWEEN DEFICIENCY TAX ASSESSMENT AND PAYMENT OF AMNESTY TAX. — Even assuming that the deficiency tax assessment of ₱17,117.08 against the Pastor spouses were correct, since the latter have already paid almost the equivalent amount to the Government by way of amnesty taxes under P.D. No. 213, and were granted not merely an exemption, but an amnesty, for their past tax failings, the Government is estopped from collecting the difference between the deficiency tax assessment and the amount already paid by them as amnesty tax. "A tax amnesty, being a general pardon or intentional overlooking by the State of its authority to impose penalties on persons otherwise guilty of evasion or violation of a revenue or tax law, partakes of an absolute forgiveness or waiver by the Government of its right to collect what otherwise would be due it, and in this sense, prejudicial thereto, particularly to give tax evaders, who wish to relent and are willing to reform a chance to do so and thereby become a part of the new society with a clean slate."

2. ID.; ID.; FINDINGS OF APPELLATE COURT THAT DEFICIENCY INCOME TAXES WERE PAID ENTITLED TO HIGHEST RESPECT; EXCEPTIONAL CASES WHERE FINDINGS MAY BE DISTURBED. — The finding of the appellate court that the deficiency income taxes were paid by the Pastors, and accepted by the Government, under P.D. 213, granting amnesty to persons who are required by law to file income tax returns but who failed to do so, is entitled to the highest respect and may not be disturbed except under exceptional circumstances which have already become familiar (Rule 45, Sec. 4, Rules of Court; *e.g.*, where: (1) the conclusion is a finding grounded

Supreme Court E-Library

entirely on speculation, surmise and conjecture; (2) the inference made is manifestly mistaken; (3) there is grave abuse of discretion; (4) the judgment is based on misapprehension of facts; (5) the Court of Appeals went beyond the issues of the case and its findings are contrary to the admissions of both the appellant and the appellee; (6) the findings of fact of the Court of Appeals are contrary to those of the trial court; (7) said findings of fact are conclusions without citation of specific evidence in which they are based; (8) the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent's; and (9) when the finding of fact of the Court of Appeals is premised on the absence of evidence and is contradicted by the evidence on record, none of which is present in this case.

3. ID.; TAX STATUTES ARE CONSTRUED STRICTLY AGAINST THE GOVERNMENT. — The rule is that *in case of doubt*, tax statutes are to be construed strictly against the Government and liberally in favor of the taxpayer, for taxes being burdens, are not to be presumed beyond what the applicable statute (in this case P.D. 231) expressly and clearly declares.

APPEARANCES OF COUNSEL

Roberto L. Bautista for private respondents.

D E C I S I O N

GRIÑO-AQUINO, *J.*:

The legal issue presented in this petition for review is whether or not the tax amnesty payments made by the private respondents on October 23, 1973 bar an action for recovery of deficiency income taxes under P.D.'s Nos. 23, 213 and 370.

On April 15, 1980, the Republic of the Philippines, through the Bureau of Internal Revenue, commenced an action in the Court of First Instance (now Regional Trial Court) of Manila, Branch XVI, to collect from the spouses Antonio Pastor and Clara Reyes-Pastor deficiency income taxes for the years 1955 to 1959 in the amount of ₱17,117.08 with a 5% surcharge and 1% monthly interest, and costs.

Supreme Court E-Library

The Pastors filed a motion to dismiss the complaint, but the motion was denied. On August 2, 1975, they filed an answer admitting there was an assessment against them of ₱17,117.08 for income tax deficiency but denying liability therefor. They contended that they had availed of the tax amnesty under P.D.'s Nos. 23, 213 and 370 and had paid the corresponding amnesty taxes amounting to ₱10,400 or 10% of their reported untaxed income under P.D . 23, ₱2,951.20 or 20% of the reported untaxed income under P.D. 213, and a final payment on October 26, 1973 under P.D. 370 evidenced by the Government's Official Receipt No. 1052388. Consequently, the Government is in estopped to demand and compel further payment of income taxes by them.

The parties agreed that there were no issues of fact to be litigated, hence, the case was submitted for decision upon the pleadings and memoranda on the lone legal question of: whether or not the payment of deficiency income tax under the tax amnesty, P.D. 23, and its acceptance by the Government operated to divest the Government of the right to further recover from the taxpayer, even if there was an existing assessment against the latter at the time he paid the amnesty tax.

It is not disputed that as a result of an investigation made by the Bureau of Internal Revenue in 1963, it was found that the private respondents owed the Government ₱1,283,621.63 as income taxes for the years 1955 to 1959, inclusive of the 50% surcharge and 1% monthly interest. The defendants protested against the assessment. A reinvestigation was conducted resulting in the drastic reduction of the assessment to only ₱17,117.08.

It appears that on April 27, 1978, the private respondents offered to pay the Bureau of Internal Revenue the sum of ₱5,000 by way of compromise settlement of their income tax deficiency for the questioned years, but Assistant Commissioner Bernardo Carpio, in a letter addressed to the Pastor spouses, rejected the offer stating that there was no legal or factual justification for accepting it. The Government filed the action against the spouses in 1980, ten (10) years after the assessment of the income tax deficiency was made.

Supreme Court E-Library

On a motion for judgment on the pleadings filed by the Government, which the spouses did not oppose, the trial court rendered a decision on February 28, 1980, holding that the defendants spouses had settled their income tax deficiency for the years 1955 to 1959, not under P.D. 23 or P.D. 370, but under P.D. 213, as shown in the Amnesty Income Tax Returns' Summary Statement and the Tax Payment Acceptance Order for ₱2,951.20 with its corresponding official receipt, which returns also contain the very assessment for the questioned years. By accepting the payment of the amnesty income taxes, the Government, therefore, waived its right to further recover deficiency income taxes from the defendants under the existing assessment against them because:

1. the defendants' amnesty income tax returns' Summary Statement included therein the deficiency assessment for the years 1955 to 1959;

2. tax amnesty payment was made by the defendants under Presidential Decree No. 213, hence, it had the effect of remission of the income tax deficiency for the years 1955 to 1959;

3. P.D. No. 23 as well as P.D. No. 213 do not make any exceptions nor impose any conditions for their application, hence, Revenue Regulation No. 7-73 which excludes certain taxpayers from the coverage of P.D. No. 213 is null and void, and

4. the acceptance of tax amnesty payment by the plaintiff-appellant bars the recovery of deficiency taxes. (pp. 3-4, IAC Decision, pp. 031-032, *Rollo*.)

The Government appealed to the Intermediate Appellate Court (AC-G.R. CV No. 68371 entitled, "*Republic of the Philippines vs. Antonio Pastor, et al.*"), alleging that the private respondents were not qualified to avail of the tax amnesty under P.D. 213 for the benefits of that decree are available only to persons who had no pending assessment for unpaid taxes, as provided in Revenue Regulations Nos. 8-72 and 7-73. Since the Pastors did in fact have a pending assessment against them, they were precluded from availing of the amnesty granted in P.D.'s Nos.

Supreme Court E-Library

23 and 213. The Government further argued that "tax exemptions should be interpreted *strictissimi juris* against the taxpayer."

The respondent spouses, on the other hand, alleged that P.D. 213 contains no exemptions from its coverage and that, under Letter of Instruction (LOI) 129 dated September 18, 1973, the immunities granted by P.D. 213 include:

"II — Immunities Granted.

Upon payment of the amounts specified in the Decree, the following shall be observed:

"1. x x x x x x x x x

"2. The *taxpayer shall not be subject to any investigation, whether civil, criminal or administrative, insofar as his declarations in the income tax returns are concerned* nor shall the same be used as evidence against, or to the prejudice of the declarant in any proceeding before any court of law or body, whether judicial, quasi-judicial or administrative, in which he is a defendant or respondent, and *he shall be exempt from any liability arising from or incident to his failure to file his income tax return and to pay the tax due thereon*, as well as to any liability for any other tax that may be due as a result of business transactions from which such income, now voluntarily declared may have been derived." (Italics supplied; p. 040, *Rollo*.)

There is nothing in the LOI which can be construed as authority for the Bureau of Internal Revenue to introduce exceptions and/or conditions to the coverage of the law.

On November 23, 1984, the Intermediate Appellate Court (now Court of Appeals) rendered a decision dismissing the Government's appeal and holding that the payment of deficiency income taxes by the Pastors under PD. No. 213, and the acceptance thereof by the Government, operated to divest the latter of its right to further recover deficiency income taxes from the private respondents pursuant to the existing deficiency tax assessment against them. The appellate court held that if Revenue Regulation No. 7-73 did provide an exception to the coverage of P.D. 213, such provision was null and void for

Supreme Court E-Library

being contrary to, or restrictive of, the clear mandate of P.D. No. 213 which the regulation should implement. Said revenue regulation may not prevail over the provisions of the decree, for it would then be an act of administrative legislation, not mere implementation, by the Bureau of Internal Revenue.

On February 4, 1985, the Republic of the Philippines, through the Solicitor General, filed this petition for review of the decision dated November 23, 1984 of the Intermediate Appellate Court affirming the dismissal, by the Court of First Instance of Manila, of the Government's complaint against the respondent spouses.

The petition is devoid of merit.

Even assuming that the deficiency tax assessment of ₱17,117.08 against the Pastor spouses were correct, since the latter have already paid almost the equivalent amount to the Government by way of amnesty taxes under P.D. No. 213, and were granted not merely an exemption, but an amnesty, for their past tax failings, the Government is estopped from collecting the difference between the deficiency tax assessment and the amount already paid by them as amnesty tax.

A tax amnesty, being a general pardon or intentional overlooking by the State of its authority to impose penalties on persons otherwise guilty of evasion or violation of a revenue or tax law, partakes of an absolute forgiveness or waiver by the Government of its right to collect what otherwise would be due it, and in this sense, prejudicial thereto, particularly to give tax evaders, who wish to relent and are willing to reform a chance to do so and thereby become a part of the new society with a clean slate (*Commissioner of Internal Revenue vs. Botelho Corp. and Shipping Co., Inc.*, 20 SCRA 487).

The finding of the appellate court that the deficiency income taxes were paid by the Pastors, and accepted by the Government, under P.D. 213, granting amnesty to persons who are required by law to file income tax returns but who failed to do so, is entitled to the highest respect and may not be disturbed except under exceptional circumstances which have already become familiar (Rule 45, Sec. 4, Rules of Court; *e.g.*, where: (1) the conclusion is a finding grounded entirely on speculation, surmise

Supreme Court E-Library

and conjecture; (2) the inference made is manifestly mistaken; (3) there is grave abuse of discretion; (4) the judgment is based on misapprehension of facts; (5) the Court of Appeals went beyond the issues of the case and its findings are contrary to the admissions of both the appellant and the appellee; (6) the findings of fact of the Court of Appeals are contrary to those of the trial court; (7) said findings of fact are conclusions without citation of specific evidence in which they are based; (8) the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents; and (9) when the finding of fact of the Court of Appeals is premised on the absence of evidence and is contradicted by the evidence on record (*Thelma Fernan vs. CA, et al.*, 181 SCRA 546, citing *Tolentino vs. de Jesus*, 56 SCRA 67; *People vs. Traya*, 147 SCRA 381), none of which is present in this case.

The rule is that *in case of doubt*, tax statutes are to be construed strictly against the Government and liberally in favor of the taxpayer, for taxes, being burdens, are not to be presumed beyond what the applicable statute (in this case P.D. 213) expressly and clearly declares (*Commissioner of Internal Revenue vs. La Tondeña, Inc. and CTA*, 5 SCRA 665, citing *Manila Railroad Company vs. Collector of Customs*, 52 Phil. 950).

WHEREFORE, the petition for review is denied. No costs.

SO ORDERED.

Narvasa, Cruz, Gancayco, and *Medialdea, JJ.*, concur.