REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

ORIENTAL ASSURANCE CORPORATION, Petitioner,	**CTA CASE NO. 8817**
	Members:
- versus -	**CASTAÑEDA, JR.,** *Chairperson,* **CASANOVA,** *and* **MANAHAN,** *JJ.*
COMMISSIONER OF INTERNAL REVENUE, Respondent.	Promulgated: FEB 2 3 2017 4:27 p.m.

x- -x

DECISION

CASTAÑEDA, JR., *J.*:

STATEMENT OF THE CASE

This Petition for Review filed by petitioner Oriental Assurance Corporation against respondent Commissioner of Internal Revenue, prays, among others, (1) that the Notice of Denial and Warrant of Garnishment be declared null and void; (2) that petitioner's payment on June 8, 2012 pursuant to the compromise agreement be declared valid and reasonable; (3) that respondent be prohibited from collecting the deficient Documentary Stamp Tax Due, subject of the Warrant of Garnishment with No. RR7 2014 314.[1]

[1] Par. I, Summary of the Case, Pre-Trial Order dated May 12, 2015, Docket, Vol. II, p. 1612.

THE FACTS

Petitioner is a corporate entity engaged in insurance business,[2] which is duly represented by Mr. Domingo N. Cotoco.[3] It is classified as a large taxpayer.[4]

Respondent is the duly appointed Commissioner of Internal Revenue, who is charged with, among other powers and duties, the responsibility of collecting national internal revenue taxes, and holding an office at the Bureau of Internal Revenue (BIR) National Office, Diliman, Quezon City.

On June 15, 2010, petitioner received the Preliminary Assessment Notice[5] (PAN) dated June 15, 2010, assessing it for deficiency documentary stamp tax (DST) for calendar year (CY) 2007 in the amount of ₱72,656,907.28.[6] Fourteen (14) days thereafter, respondent sent a Formal Letter of Demand[7] (FLD) dated June 29, 2010, assessing petitioner for deficiency DST in the amount of ₱73,055,974.87.[8]

In response to the FLD, petitioner filed a Letter[9] dated September 29, 2010 with respondent on October 5, 2010, manifesting its willingness to settle the tax liability through a Compromise Agreement on the ground of doubtful validity.[10] Petitioner likewise sent a Letter[11] dated June 4, 2012 to respondent inquiring the status of the former's request for a compromise settlement.[12]

Then, out of the total DST liability of ₱60,622,895.38, petitioner paid the amount of ₱12,069,671.00.[13] The balance of ₱48,553,224.38 was the subject of a compromise offer between petitioner and respondent.[14]

---

2 Par. I(1), Joint Stipulation of Facts and Issues (JSFI), Docket, Vol. II, p. 1604.
3 Par. I(4), JSFI, Docket, Vol. II, p. 1604.
4 Par. I(2), JSFI, Docket, Vol. II, p. 1604.
5 Exhibit "P-2", Docket, Vol. I, p. 24.
6 Pars. I(5) & (6), JSFI, Docket, Vol. II, p. 1604.
7 Exhibit "P-3", Docket, Vol. I, p. 25.
8 Par. I(7), JSFI, Docket, Vol. II, p. 1605.
9 Exhibit "P-4", Docket, Vol. I, pp. 30 to 31.
10 Par. I(8), JSFI, Docket, Vol. II, p. 1605; Exhibit "P-4-1", Docket, Vol. I, p. 32.
11 Exhibit "P-5", Docket, Vol. II, p. 1399.
12 Par. I(9), JSFI, Docket, Vol. II, p. 1605.
13 Par. I(16), JSFI, Docket, Vol. II, p. 1606.
14 Par. I(17), JSFI, Docket, Vol. II, p. 1606.

Respondent signed the Payment Form (BIR Form 0605)[15] representing the compromise amount of 40% of the petitioner's DST liability, which was equivalent to ₱19,421,289.75.[16] Petitioner paid the said amount of ₱19,421,289.75.[17]

However, petitioner received on September 17, 2013 a Notice of Denial dated March 20, 2013.[18] Thus, petitioner filed with respondent a Request for Reconsideration and Clarification of the said Notice of Denial[19] on the grounds of erroneous computation of the tax base, which included the following: (1) reinsurance contracts or on any instrument by which cession or acceptance of insurance risk under any reinsurance agreement is effected or recorded; (2) increased coverage; and (3) cancelled policies which should not be subjected to the imposition of DST.[20]

On April 30, 2014, respondent issued a Warrant of Garnishment against petitioner.[21]

On May 13, 2014[22], petitioner filed this Petition for Review with Prayer for Temporary Restraining Order and/Or Preliminary Mandatory Action to Recall Warrant of Garnishment and Prohibition of Collection.

In support of its prayer for temporary restraining order, petitioner presented Mr. Rodolfo C. Malilin as its witness.

Then, petitioner filed through registered mail a Motion for Consignation[23] on May 15, 2014 and received by the Court on May 19, 2014.

On May 29, 2014, the Court granted petitioner's Prayer for Temporary Restraining Order and/or Preliminary Mandatory Action to Recall Warrant of Garnishment and Prohibition of Collection, but declared the Motion for Consignation moot and academic.[24]

---

15 Exhibit "P-6", Docket, Vol. II, pp. 1402 to 1403.
16 Par. I(18), JSFI, Docket, Vol. II, p. 1606.
17 Par. I(19), JSFI, Docket, Vol. II, p. 1606; Exhibit "P-6-1", Docket, Vol. II, p. 1404.
18 Par. I(22), JSFI, Docket, Vol. II, p. 1607.
19 Exhibit "P-8", Docket, Vol. II, pp. 1408 to 1410.
20 Par. I(23), JSFI, Docket, Vol. II, p. 1608.
21 Par. I(24), JSFI, Docket, Vol. II, p. 1608; Exhibits "P-9" and "P-10", Docket, Vol. II, p. 1412 and p. 1413, respectively.
22 Docket, Vol. I, p. 5.
23 Docket, Vol. II, pp. 1448 to 1451.
24 Resolution, Docket, Vol. II, pp. 1474 to 1479.

Accordingly, petitioner filed the required surety bond on June 9, 2014,[25] which was approved by the Court.[26]

Then, the Court granted on November 7, 2014 the Motion to Admit Attached Answer filed by respondent, and admitted the Answer.[27] In the said Answer[28], respondent raised the following special and affirmative defenses:

> "8. The primary jurisdictional allegation in the petition states:
>
> > This Petition seeks for the nullification of the NOTICE OF DENIAL, dated March 20, 2013 and WARRANT OF GARNISHMENT with Number RR7 2014 314 dated April 28, 2014, both issued by the Respondent against Petitioner with Taxpayer Identification Number 000-798-742-000, for an alleged deficiency on Documentary Stamp Tax due for taxable calendar year 2007, with the total amount of Seventy Four [*sic*] and 87/100 Pesos (₱73,055,974.87), on grounds of **doubtful validity** and **lack of due process**.
>
> 9. Respondent is aware that the Honorable Supreme Court has repeatedly upheld the jurisdiction of the Honorable Court of Tax Appeals over petitions seeking the annulment of collection actions/distraint orders under 'other matters'. Thus in one case it was stressed:
>
> > 'The power of the Court of Tax Appeals to act on petitions for the annulment of distraint orders by the Collector of Internal Revenue has been recognized by this Court in Collector of Internal Revenue v. Zulueta, 53 O.G. 6532 and Blaquera v. Rodriguez, 54 O.G. 8632.'
>
> 10. Assuming the petition filed is a valid action to annul a collection action/distraint order and not a cleverly disguised collateral attack on a duly issued final and

---

[25] Compliance, Docket, Vol. II, pp. 1486 to 1493.
[26] Resolution dated June 18, 2014, Docket, Vol. II, pp. 1515 to 1516.
[27] Resolution, Docket, Vol. II, p. 1539.
[28] Docket, Vol. II, pp. 1528 to 1534.

executory assessment, respondent doubts the existence of a cause of action on the part of petitioner.

11. As pleaded by petitioner in the cited portion, it seeks the nullification of the NOTICE OF DENIAL of its compromise offer on the ground of doubtful validity and lack of due process.

12. Respondent avers that there is no act or omission that gives right to a cause of action in a person's refusal to accede to an offer of compromise. As held by the Highest Court:

> A compromise is contractual in nature and a party's consent or refusal to give such is entirely discretionary. And it is perfectly within its exclusive right to accept or reject the same.

As there is no wrong or right in entering or refusing to enter into a compromise. Any which way a person chooses, that person would still be in the correct exercise of his or her rights. Hence, there can never be a cause of action.

13. Assuming again, that this is a valid action to annul a warrant of distraint and further assuming, that petitioner has a cause of action on the grounds it alleges, still the relevant provision of law does not provide the availability of judicial review.

14. The authority of the Commissioner of Internal Revenue to enter into compromise agreements is enshrined in Section 204 of the National Internal Revenue Code of 1997, as amended, which states:

> **SEC. 204. Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes**
>
> **(A) Compromise the Payment of any Internal Revenue Tax, when:** Jr

(1) A reasonable doubt as to the validity of the claim against the taxpayer exists; or

(2) The financial position of the taxpayer demonstrates a clear inability to pay the assessed tax.

The compromise settlement of any tax liability shall be subject to the following minimum amounts:

For cases of financial incapacity, a minimum compromise rate equivalent to ten percent (10%) of the basic assessed tax; and

For other cases, a minimum compromise rate equivalent to forty percent (40%) of the basic assessed tax.

Where the basic tax involved exceeds One million pesos (₱1,000.000) or where the settlement offered is less than the prescribed minimum rates, the compromise shall be subject to the approval of the Evaluation Board which shall be composed of the Commissioner and the four (4) Deputy Commissioners.

xxx xxx xxx

The Commissioner shall submit to the Chairmen of the Committee on Ways and Means of both the Senate and House of Representatives, every six (6) months, a report on the exercise of his powers under this Section, stating therein the following facts and information, among others: names and addresses of taxpayers whose cases have been the subject of abatement or compromise;

> **amount involved; amount compromised or abated; and reasons for the exercise of power: Provided, That the said report shall be presented to the Oversight Committee in Congress that shall be constituted to determine that said powers are reasonably exercised and that the government is not unduly deprived of revenues.**

19. In consonance with her power to enter into compromise agreements is her duty to render a report to the Chairmen of the Committee on Ways and Means of both Senate and House of Representative every six (6) months.

20. The said Committee determines whether the Commissioner in the exercise of her power to enter into compromise agreements reasonably exercised her duty and that the government is not unduly deprived of revenues. While approved offers of compromise are reported to Congress, there exists that absence of any provision for judicial review in case offers are declined.

21. Finally, on the same previous assumptions and on the further assumption that the petition presents an issue subject to judicial review, it is submitted that the NOTICE OF DENIAL of the compromise offer was validly issued.

22. The BIR Technical Working Group on Compromise (TWG) thoroughly evaluated the offer of petitioner. The findings of the TWG were then forwarded to the National Evaluation Board (NEB) via a memorandum dated 16 October 2012. As stated in the memorandum of the TWG, petitioner failed to support its allegation that the DST assessment may be categorized as of 'doubtful validity'."

The Pre-Trial Brief for Respondent[29] was filed on January 21, 2015 and petitioner's Pre-Trial Brief[30] was posted on January 21, 2015 and received by the Court on January 29, 2015.

On February 23, 2015, this case was dismissed for failure of petitioner to appear and for its failure to comply with the lawful order of this Court.[31] Subsequently, petitioner moved for reconsideration of the said dismissal[32], which the Court granted and reinstated the instant case.[33]

On April 30, 2015, the parties submitted their Joint Stipulation of Facts and Issues[34]. Consequently, the Court issued a Pre-Trial Order[35] on May 12, 2015, approving and adopting the aforementioned joint stipulation.

Then, petitioner moved to commission Ms. Ma. Victoria Eugenio Manuel as Independent Certified Public Accountant (ICPA),[36] and the Court granted the same on July 9, 2015.[37] Thus, Ms. Manuel was commissioned as ICPA.[38]

As trial ensued, petitioner presented its witnesses, namely: Mr. Rodolfo C. Mallillin, and Mr. Kent S. Cotoco.

On the other hand, respondent's counsel manifested during the hearing on October 12, 2015, that she would no longer present any witness and waive respondent's right to present evidence.[39]

On March 7, 2016, this Petition for Review was deemed submitted for decision for failure of both parties to file their memoranda as per Report of the Records Division dated March 4, 2016.[40]

---

[29] Docket, Vol. II, pp. 1542 to 1547.
[30] Docket, Vol. II, pp. 1560 to 1565.
[31] Resolution, Docket, Vol. II, p. 1571.
[32] Motion for Reconsideration (Of the Order dated 23 February 2015), Docket, Vol. II, pp. 1572 to 1576.
[33] Resolution dated March 31, 2015, Docket, Vol. II, pp. 1594 to 1595.
[34] Docket, Vol. II, pp. 1604 to 1610.
[35] Docket, Vol. II, pp. 1612 to 1615.
[36] Compliance with Motion to Appoint Accredited Independent Certified Public Accountant, Docket, Vol. II, pp. 1640 to 1642.
[37] Minutes of the Hearing, Docket, Vol. II, p. 1654.
[38] Docket, Vol. II, p. 1655.
[39] Resolution, Docket, Vol. III, p. 1702.
[40] Resolution, Docket, Vol. III, p. 1722.

ISSUES

The parties stipulated the following issues[41] to be resolved by this Court:

1. Whether this Court has jurisdiction over the subject matter of this case;

2. Whether Revenue Region No. 7 Collection Division of the respondent has jurisdiction to handle cases involving large taxpayers;

3. Whether there is legal basis for petitioner's assertion regarding the doubtful validity of the assessments which would warrant the approval of the compromise; and

4. Whether petitioner's insurance policies are subject to documentary stamp tax.

DISCUSSION/RULING

In the Petition for Review, petitioner contends that this Court has jurisdiction over this case pursuant to Sections 7 and 11 of Republic Act (R.A.) No. 1125 and Section 3, Rule 4 of the Revised Rules of the Court of Tax Appeals (RRCTA). Petitioner alleges that the existence of the Warrant of Garnishment came to its knowledge on April 30, 2014 when one of petitioner's banks notified the same. Thus, it filed this instant petition within the thirty (30)- day period.[42]

On the other hand, respondent posits in the Answer that he is aware that the Supreme Court has repeatedly upheld the jurisdiction of this Court over petitions seeking the annulment of collection actions/distraint orders under "other matters".[43]

Section 7(a)(1), R.A. No. 1125, as amended by R.A. No. 9282 and R.A. No. 9503, provides:

---

[41] Par. II, JSFI, Docket, Vol. II, pp. 1608 to 1609.
[42] Docket, Vol. I, p. 7.
[43] Docket, Vol. II, p. 1530.

"SEC. 7. *Jurisdiction.* – The CTA shall exercise:

(a) Exclusive appellate jurisdiction to review by appeal, as herein provided:

(1) Decisions of the Commissioner of Internal Revenue in cases involving disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties in relation thereto, **or other matters arising under the National Internal Revenue Code or other laws administered by the Bureau of Internal Revenue.**

xxx xxx xxx"

Also, Section 3(a)(1), Rule 4 of the RRCTA, as amended, states:

"SEC. 3. *Cases within the jurisdiction of the Court in Division.* – The Court in Division shall exercise:

(a) Exclusive original over or appellate jurisdiction to review by appeal the following:

(1) Decisions of the Commissioner of Internal Revenue in cases involving disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties in relation thereto, or **other matters arising under the National Internal Revenue Code or other laws administered by the Bureau of Internal Revenue.**" (Emphasis Supplied).

In the case of *Philippine Journalists, Inc. vs. Commissioner of Internal Revenue,*[44] the Supreme Court ruled that "the appellate jurisdiction of the CTA is not limited to cases which involve decisions of the Commissioner of Internal Revenue on matters relating to assessments or refunds. The second part of the provision [Section 7

[44] G.R. No. 162852, December 16, 2004, 447 SCRA 214.

(1) of Republic Act 1125] covers other cases that arise out of the NIRC or related laws administered by the Bureau of Internal Revenue. The wording of the provision is clear and simple. It gives the CTA the jurisdiction to determine if the warrant of distraint and levy issued by the BIR is valid and to rule if the Waiver of Statute of Limitations was validly effected."

Applying the above case, the CTA, therefore, has jurisdiction in the determination of the validity of the Warrant of Garnishment.

Further, Section 11 of RA No. 1125, as amended by R.A. Nos. 9282 and 9503, expresses that any party adversely affected by a decision or ruling of the Commissioner of Internal Revenue may file an appeal with the CTA within thirty (30) days after the receipt of such decision or ruling.

In this case, when petitioner received the Notice of Denial on September 17, 2013 denying its application for compromise settlement,[45] it filed with respondent a Request for Reconsideration and Clarification of the said Notice of Denial[46].[47] Without receiving any decision on the said request for reconsideration, respondent issued a Warrant of Garnishment on April 30, 2014 against petitioner.[48]

It is presumed from the foregoing that the Warrant of Garnishment is the decision or ruling of respondent on petitioner's request for reconsideration on the notice of denial. Since the issuance of Warrant of Garnishment has constructively denied petitioner's request for compromise settlement, it involves the interpretation and application of Section 204 (A) of the NIRC of 1997, as amended, it falls to the phrase "other matters arising from the NIRC, pursuant to Section 7(a)(1) of R.A. No. 1125, as amended by R.A. Nos. 9282 and 9503.

Counting thirty (30) days from April 30, 2014, petitioner had until May 30, 2014 within which to appeal the said decision or ruling. Considering that this Petition for Review was filed on May 13, 2014, the same was timely filed.

Based on the foregoing, the Court has jurisdiction over the instant petition. *pr*

---

[45] Par. I(22), JSFI, Docket, Vol. II, p. 1607.
[46] Exhibit "P-8", Docket, Vol. II, pp. 1408 to 1410.
[47] Par. I(23), JSFI, Docket, Vol. II, p. 1608.
[48] Par. I(24), JSFI, Docket, Vol. II, p. 1608.

The Court shall now proceed to determine the petitioner's allegation that it was denied due process.

Petitioner insists in the Petition for Review that its right to due process was violated when respondent hastily issued the FLD. Petitioner argues that the FLD was issued fourteen (14) days after it received the PAN which is allegedly contrary to Section 3.1.2 of Revenue Regulation (RR) No. 12-99.

Section 228 of the National Internal Revenue Code (NIRC) of 1997, as amended, provides:

> "SEC. 228. *Protesting Assessment.* – When the Commissioner or his duly authorized representative finds that proper taxes should be assessed, he shall first notify the taxpayer of his findings: *Provided, however,* That a preassessment notice shall not be required in the following cases:
>
> xxx xxx xxx
>
> **The taxpayers shall be informed in writing of the law and the facts on which the assessment is made; otherwise, the assessment shall be void.**
>
> **Within a period to be prescribed by implementing rules and regulations, the taxpayer shall be required to respond to said notice. If the taxpayer fails to respond, the Commissioner or his duly authorized representative shall issue an assessment based on his findings.**
>
> xxx xxx xxx." (Emphasis Supplied).

Relative hereto is Section 3.1.2 of RR No. 12-99 which provides:

> "3.1.2 Preliminary Assessment Notice (PAN) – If after review and evaluation by the Assessment Division or by the Commissioner or his duly authorized representative, as the case may be, it is determined that there exists sufficient basis to assess the taxpayer for any deficiency tax or taxes,

> the said Office shall issue to the taxpayer, at least by registered mail, a Preliminary Assessment Notice (PAN) for the proposed assessment, showing in detail, the facts and the law, rules and regulations, or jurisprudence on which the proposed assessment is based xxx. **If the taxpayer fails to respond within fifteen (15) days from date of receipt of the PAN, he shall be considered in default, in which case, a formal letter of demand and assessment notice shall be caused to be issued by the said Office, calling for payment of the taxpayer's deficiency tax liability, inclusive of the applicable penalties.**" (Emphasis Supplied).

It is apparent from the foregoing provisions that a taxpayer is given a period of fifteen (15) days from receipt of the PAN to respond thereto. If the taxpayer fails to respond to the PAN upon the lapse of the fifteen day period, the taxpayer shall be considered in default and the BIR shall then issue FLD/FAN.

In the case of *Commissioner of Internal Revenue vs. Metro Star Superama, Inc.*[49], the Supreme Court ruled that failure of the CIR to strictly comply with the requirements laid down by law and its own rules is a denial of taxpayer's right to due process, to wit:

> "From the provision quoted above, it is clear that the sending of a PAN to taxpayer to inform him of the assessment made is but part of the 'due process requirement in the issuance of a deficiency tax assessment,' the absence of which renders nugatory any assessment made by the tax authorities. The use of the word 'shall' in subsection 3.1.2 describes the mandatory nature of the service of a PAN. The persuasiveness of the right to due process reaches both substantial and procedural rights and **the failure of the CIR to strictly comply with the requirements laid down by law and its own rules is a denial of Metro Star's right to due process.** Thus, for its failure to send the PAN stating the facts and the law on which the assessment was made as required by Section 228 of R.A. No. 8424, the assessment made by the CIR is void." (Emphasis Supplied). *Je*

[49] G.R. No. 185371, December 8, 2010, 637 SCRA 633.

In the case of *Nippo Metal Tech Phils., Inc. (formerly Global Metal Tech Corporation) v. Commissioner of Internal Revenue*,[50] the CTA *En Banc* ruled that "pursuant to the ruling in the Metro Star case, petitioner's right to due process was violated by respondent when she issued the FLD/FAN on February 17, 2009 or prior to the lapse of the fifteen (15) day period given to petitioner to respond/protest the PAN mandated under Section 228 of the NIRC of 1997, as amended, and RR 12-99, as amended by RR 18-2013."

Moreover, the CTA *En Banc* in the case of *Commissioner of Internal Revenue v. Yumex Philippines Corporation*,[51] ruled that, "Clearly, the act of simply mailing the PAN and FLD/FAN to the taxpayer on separate dates is not enough to satisfy the requirements of due process. Receipt by the taxpayer of the PAN and the opportunity to respond thereto within 15-days from receipt thereof are essential parts of the requirements of due process which the CIR cannot simply ignore."

In this case, petitioner received the PAN on June 15, 2010; thus, it had fifteen days therefrom or until June 30, 2010 to file its protest. However, respondent issued the FLD on June 29, 2010. Clearly, FLD was issued prior to the lapse of the 15-day period given to the taxpayer to respond/protest the PAN, which is tantamount to a denial of petitioner's right to due process.

Further, the Court applies by analogy the ruling of the Supreme Court in the case of *Commissioner of Internal Revenue vs. Azucena T. Reyes*[52], which ruled that a void assessment cannot be used as a basis for the perfection of a tax compromise, *viz*:

> "Under the present provisions of the Tax Code and pursuant to elementary due process, taxpayers must be informed in writing of the law and the facts upon which a tax assessment is based; otherwise, the assessment is void. Being invalid, the assessment cannot in turn be used as a basis for the perfection of a tax compromise.
>
> xxx xxx xxx

---

[50] CTA EB Case No. 1273 (CTA Case No. 8329), May 17, 2016.
[51] CTA EB Case No. 1139 (CTA Case No. 8331), January 19, 2016, Resolution.
[52] G.R. Nos. 159694 & 163581, January 27, 2006, 480 SCRA 382.

It would be premature for this Court to declare that the compromise on the estate tax liability has been perfected and consummated, considering the earlier determination that the assessment against the estate was void. Nothing has been settled or finalized. Under Section 204(A) of the Tax Code, where the basic tax involved exceeds one million pesos or the settlement offered is less than the prescribed minimum rates, the compromise shall be subject to the approval of the NEB composed of the petitioner and four deputy commissioners." (Emphasis Supplied).

Even if petitioner offered a compromise settlement and respondent denied the same, the Warrant of Garnishment is still invalid considering that the FLD is void for violating petitioner's right to due process.

The Supreme Court has reiterated in the case of *Commissioner of Internal Revenue vs. BASF Coating + Inks Phils.*, Inc.[53], its ruling enunciated in *Commissioner of Internal Revenue v. Algue, Inc.*[54] case that in spite of all its plenitude, the power to tax has its limits, to wit:

"It is true that taxes are the lifeblood of the government. However, in spite of all its plenitude, the power to tax has its limits. Thus, in *Commissioner of Internal Revenue v. Algue, Inc.*, this Court held:

Taxes are the lifeblood of the government and so should be collected without unnecessary hindrance. On the other hand, such collection should be made in accordance with law as any arbitrariness will negate the very reason for government itself. It is therefore necessary to reconcile the apparently conflicting interests of the authorities and the taxpayers so that the real purpose of taxation, which is the promotion of the common good, may be achieved.

x x x x

It is said that taxes are what we pay for civilized society. Without taxes, the government would be

---

[53] G.R. No. 198677, November 26, 2014, 743 SCRA 113.
[54] G.R. No. L-28896, February 17, 1988, 158 SCRA 9.

paralyzed for the lack of the motive power to activate and operate it. Hence, despite the natural reluctance to surrender part of one's hard-earned income to taxing authorities, every person who is able to must contribute his share in the running of the government. The government for its part is expected to respond in the form of tangible and intangible benefits intended to improve the lives of the people and enhance their moral and material values. This symbiotic relationship is the rationale of taxation and should dispel the erroneous notion that it is an arbitrary method of exaction by those in the seat of power.

But even as we concede the inevitability and indispensability of taxation, **it is a requirement in all democratic regimes that it be exercised reasonably and in accordance with the prescribed procedure.** If it is not, then the taxpayer has a right to complain and the courts will then come to his succor. For all the awesome power of the tax collector, he may still be stopped in his tracks if the taxpayer can demonstrate x x x that the law has not been observed." (Emphasis Supplied).

Based on the foregoing discussions, this Court will no longer delve on the remaining issues.

WHEREFORE, premises considered, this Petition for Review is **GRANTED**. Accordingly, the Formal Letter of Demand and Warrant of Garnishment issued against petitioner are declared **NULL** and **VOID**.

SO ORDERED.

Juanito C. Castañeda, Jr.
JUANITO C. CASTAÑEDA, JR.
Associate Justice

WE CONCUR:

CAESAR A. CASANOVA
Associate Justice

Catherine T. Manahan
CATHERINE T. MANAHAN
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

Juanito C. Castañeda, Jr.
JUANITO C. CASTAÑEDA, JR.
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Division Chairperson's Attestation, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

ROMAN G. DEL ROSARIO
Presiding Justice