REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
Quezon City

Special Third Division

MINDANAO SANITARIUM & HOSPITAL COLLEGE INC.,
Petitioner,

-versus-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NO. 8673

Members:

FABON-VICTORINO, *and*
RINGPIS-LIBAN, JJ.

Promulgated:
MAY 06 2019
4:12 p.m.

x--x

DECISION

RINGPIS-LIBAN, J.

THE CASE

This resolves the Petition for Review[1] filed on July 15, 2013 by Mindanao Sanitarium and Hospital College Inc., seeking to set aside and cancel the Formal Letter of Demand with Details of Discrepancies and Assessment Notices (FLD/FAN)[2], all dated August 6, 2012, for alleged deficiency income tax and valued-added tax (VAT) in the aggregate amount of ₱9,211,669.93 for taxable year 2009.

THE FACTS OF THE CASE

Petitioner Mindanao Sanitarium and Hospital College Inc. is a non-stock, non-profit educational institution, organized and existing under

[1] Docket, vol. 1, pp. 7-11.
[2] Exhibit "P-2", docket, vol. 2, pp. 471-474.

Philippine laws, with principal office at National Highway, San Miguel, Iligan City.[3] Its stated purposes are to promote principles of the true higher education institution and to provide proper facilities and programs for the harmonious development of the moral, intellectual, physical and spiritual powers of mankind; and to establish and maintain an institution of learning where thorough and systematic instructions shall be given in the arts, sciences and other studies embraced in the primary, intermediate and secondary levels.[4]

On the other hand, respondent is the duly appointed Commissioner of the Bureau of Internal Revenue (BIR) who has the power to decide on 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 (NIRC) or other laws or portions thereof administered by the BIR. He holds office at the BIR National Office Building, BIR Road, Diliman, Quezon City.

On June 7, 2010, respondent issued Letter of Authority (LOA) No. 00017564[5], authorizing concerned revenue officers to examine petitioner's books of accounts and other accounting records for all internal revenue taxes for the period covering January 1, 2009 to December 31, 2009.[6]

On July 25, 2011, respondent issued a Notice for Informal Conference[7], requesting petitioner to appear and present documentary evidence against the proposed assessment notice.

On July 17, 2012, respondent issued a Preliminary Assessment Notice (PAN) with Details of Discrepancies[8] for alleged deficiency income tax and VAT in the total amount of ₱9,108,899.77, inclusive of legal increments for taxable year 2009.

On September 5, 2012, petitioner received the FLD/FAN, dated August 6, 2012, for alleged deficiency income tax in the amount of ₱6,876,627.73 and VAT in the amount of ₱2,335,042.20 or in the total amount of ₱9,211,669.93 for taxable year 2009.[9] On September 26, 2012, petitioner filed a Protest Letter[10] dated September 21, 2012, contesting the audit/investigation results contained in the FLD/FAN.[11]

---

[3] Par. 1, Joint Stipulation of Facts, docket, vol. 1, p. 361.
[4] Exhibit "P-19", docket, vol. 2, p. 805.
[5] Exhibit "R-1", BIR Records, p. 34.
[6] Par. 3, Joint Stipulation of Facts, docket, vol. 1, p. 361.
[7] Exhibit "R-6", BIR Records, p. 52.
[8] Exhibit "R-9", BIR Records, pp. 88-91.
[9] Par. 5, Joint Stipulation of Facts, docket, vol. 1, p. 361.
[10] Exhibit "P-3", docket, vol. 2, pp. 475-480.
[11] Par. 6, Joint Stipulation of Facts, docket, vol. 1, p. 361.

On June 15, 2013, petitioner received a Letter[12] dated May 28, 2013, issued by Regional Director Alberto S. Olasiman of Revenue Region No. 16 – Cagayan de Oro City, denying petitioner's protest.[13] Hence, petitioner filed the present Petition for Review before this Court on July 15, 2013.

In his Answer (with Motion to Admit)[14] filed on October 3, 2013, respondent argued that the Court of Tax Appeals has no jurisdiction to take cognizance of the Petition for Review considering that the assessment had become final, executory, and demandable due to petitioner's alleged obstinate refusal to submit the required supporting documents. Respondent likewise interposed that there was no error or illegality upon the manner by which petitioner's deficiency tax liabilities were assessed, and that there was observance and full compliance with the procedural due process requirements. He purportedly duly notified petitioner of the assessment, and afforded it every opportunity to actively participate in the assessment process.

As regards the factual bases of the assessment, respondent pointed out that the BIR's reliance upon the best evidence obtainable is pursuant to Section 6(B) of the NIRC of 1997 and is justified by petitioner's refusal to present the requested documents.

Anent petitioner's allegation that it is a non-stock, non-profit educational institution, respondent found the same self-serving and insufficient to justify its exemption from payment of income tax. Respondent explained that the only instance when a non-stock, non-profit educational institution may be exempted from the payment of taxes is when the revenues and assets of such institution are actually, directly and exclusively used for educational purposes. The exemption contemplated does not extend to income from trade, business, or other activity, the conduct of which is not related to the exercise or performance by an educational institution of its educational purposes or functions. In this particular case, petitioner allegedly failed to present any evidence tending to prove that the income it derived from running an educational institution are actually, directly and exclusively used for educational purposes. Thus, petitioner cannot be considered as exempt from the payment of income taxes.

With respect to petitioner's deficiency VAT, while educational services rendered by private educational institutions duly accredited by the Department of Education, Culture and Sports (DECS) and the Commission on Higher Education (CHED) and those rendered by governmental institutions are exempt from VAT under Section 109(m) of the Tax Code, respondent, nonetheless, considered petitioner as engaged in the sale of goods or services in

[12] Exhibit "P-15", docket, vol. 2, pp. 519-520.
[13] Par. 7, Joint Stipulation of Facts, docket, vol. 1, p. 362.
[14] Docket, vol. 1, pp. 88-115.

the course of a business pursuit pursuant to Section 105 of the Tax Code, hence, petitioner is liable for VAT as well.

Lastly, respondent stressed that there exists a presumption in favor of the propriety and exactness of the assessment against petitioner. After all, tax assessments by tax examiners are presumed correct and made in good faith. The taxpayer has the duty to prove otherwise. Petitioner's failure to do so further confirms the propriety of the assessment.

The pre-trial conference was scheduled on May 29, 2014.[15] Petitioner's Pre-Trial Brief[16] was filed on May 22, 2014, while respondent's Pre-Trial Brief[17] was filed on May 26, 2014.

The parties filed their Joint Stipulation of Facts[18] on September 10, 2014. Thereafter, the Court issued a Pre-Trial Order[19] on October 13, 2014.

On April 13, 2015, petitioner filed its Formal Offer of Evidence[20], offering Exhibits "P-2", "P-2-a", "P-2b", "P-2c", "P-2d", "P-2g", "P-2e", "P-2f", "P-3", "P-3a", "P-4", "P-5", "P-5a", "P-5b", "P-5c", "P-5d", "P-6", "P-6a", "P-6a-1", "P-6b", "P-6b-1", "P-6b-1/1", "P-6b-1/2", "P-6c", "P-6c-1", "P-6c-1/1", "P-6c-1/2", "P-6d", "P-6d-1", "P-6d-1/1", "P-6d-1/2", "P-6e", "P-6e-1", "P-6e-1/1", "P-6e-1/2", "P-6f", "P-6f-1", "P-6e-1/1", "P-6e-1/2", "P-6-j", "P-7", P-7a", "P-7b", "P-7c", "P-7d", "P-7e", "P-10", "P-11", "P-12", "P-13", "P-14", "P-15", "P-15a" "P-16", "P-16-a", "P-17", "P-17-a", "P-18", and "P-18-a", as its documentary exhibits. Respondent filed his Comment (To petitioner's Formal Offer of Evidence dated April 10, 2015)[21] on April 23, 2015. The Court admitted all the exhibits formally offered by petitioner in the Resolution[22] dated May 8, 2015.

On October 12, 2016, respondent filed his Formal Offer of Evidence[23], offering Exhibits "R-1", "R-2", "R-3", "R-4", "R-5", "R-6", "R-7", "R-8", "R-9", "R-10", "R-12", "R-13", "R-14", "R-15", "R-18", "R-19", "R-19-a", "R-20", "R-20-a", "R-21", "R-22", "R-23", "R-23-1", "R-24", "R-24-1", "R-25", "R-25-a" and "R-26", as his documentary exhibits. Petitioner filed its Comment (On Respondent's Formal Offer of Evidence)[24] on October 25, 2016.

---

15 Notice of Pre-Trial Conference dated April 11, 2014, docket, vol. 1, p. 189.
16 Docket, vol. 1, pp. 197-201.
17 Docket, vol. 1, pp. 202-207.
18 Docket, vol. 1, pp. 361-367.
19 Docket, vol. 1, pp. 390-398.
20 Docket, vol. 2, pp. 463-470.
21 Docket, vol. 2, pp. 536-538.
22 Docket, vol. 2, pp. 543-544.
23 Docket, vol. 2, pp. 717-725.
24 Docket, vol. 2, pp. 730-731.

In the Resolution[25] issued on December 7, 2016, the Court admitted Exhibits "R-1", "R-2", "R-3", "R-4", "R-5", "R-6", "R-7", "R-8", "R-11", "R-12", "R-13", "R-14", "R-15", "R-18", "R-19", "R-19-a", "R-20", "R-20-a", "R-21", "R-22", "R-24", "R-24-1", "R-25", "R-25-a" and "R-26", but denied the admission of Exhibits "R-9", "R-10", "R-23", and "R-23-1".

Respondent then filed an Omnibus Motion for Reconsideration[26] through registered mail on December 23, 2016 and received by the Court on January 4, 2017. Petitioner filed its Opposition (To Respondent's 23 December 2016 Omnibus Motion for Reconsideration)[27] through registered mail on January 17, 2017 and received by the Court on January 25, 2017. The Court denied the admission of Exhibit "R-23-01" in the Resolution[28] dated February 16, 2017, while it admitted Exhibits "R-9" and "R-10" in the Resolution[29] dated April 3, 2017.

Petitioner filed its Formal Offer of Rebuttal Evidence[30] on February 5, 2018, offering Exhibits "P19", "P19-A", "P19-B", "P20", "P20-A", "P20-B", "P21", "P21-A", "P22", and "P22-A", as its additional evidence. Respondent failed to file his comment thereto.[31] The Court admitted all these exhibits in the Resolution[32] dated March 23, 2018.

The Court declared the case submitted for decision on May 22, 2018,[33] considering petitioner's Memorandum[34] filed on May 15, 2018 and the Records Verification Report[35] issued by the Court's Judicial Records Division stating that respondent failed to file his memorandum.

THE ISSUES

Petitioner submitted the following issues for the Court's resolution:[36]

1. Whether petitioner received the Preliminary Assessment Notice (PAN).

2. Whether the items of discrepancy per investigation were mainly derived from the figures in petitioner's Trial Balance in

---

[25] Docket, vol. 2, pp. 737-738.
[26] Docket, vol. 2, pp. 739-743.
[27] Docket, vol. 2, pp. 747-750.
[28] Docket, vol. 2, pp. 753-755.
[29] Docket, vol. 2, pp. 789-790.
[30] Docket, vol. 2, pp. 801-802.
[31] Records Verification Report dated February 21, 2018, docket, vol. 2, p. 825.
[32] Docket, vol. 2, pp. 827-828.
[33] Resolution dated May 22, 2018, docket, vol. 2, p. 850.
[34] Docket, vol. 2, pp. 833-847.
[35] Records Verification Report dated May 16, 2018, docket, vol. 2, p. 848.
[36] Docket, vol. 1, p. 198.

the General Ledger's credit balances as of December 31, 2009, based on both the January 1, 2009 balances plus the operations during the year.

3. Whether petitioner is duly recognized or accredited by the Commission of Higher Education (CHED) and Technical Education and Skills Development Authority (TESDA).

4. Whether the revenue of the petitioner which were the basis of income tax deficiency per FLD are subject to tax.

5. Whether the 2009 tax assessments have factual and legal bases.

6. Whether petitioner was denied due process.

On the other hand, respondent invoked the following grounds:[37]

1. Whether or not this Honorable Court has jurisdiction over this particular case.

2. Whether or not respondent's assessment of petitioner's deficiency tax liability for the taxable year 2009 was undertaken in accordance with law, existing jurisprudence, and administrative rules and regulations.

3. Whether or not petitioner is liable for deficiency income tax in the amount of ₱9,211,699.93 for the taxable year 2009.

THE RULING OF THE COURT

The Court shall determine first the timeliness of the filing of the Petition for Review.

Section 228 of the NIRC of 1997, as amended, provides the periods for filing administrative and judicial protests, as follows:

> "SEC. 228. *Protesting of Assessment.* – When the Commissioner or his duly authorized representative finds that proper taxes should be assessed, he shall first notify the taxpayer

---

[37] Docket, vol. 1, p. 203.

> of his findings: *Provided, however*, That a preassessment notice shall not be required in the following cases:
>
> xxx xxx xxx
>
> Such assessment may be protested administratively by filing a request for reconsideration or reinvestigation within thirty (30) days from receipt of the assessment in such form and manner as may be prescribed by implementing rules and regulations. Within sixty (60) days from filing of the protest, all relevant supporting documents shall have been submitted; otherwise, the assessment shall become final.
>
> If the protest is denied in whole or in part, or is not acted upon within one hundred eighty (180) days from submission of documents, the taxpayer adversely affected by the decision or inaction may appeal to the Court of Tax Appeals within thirty (30) days from receipt of the said decision, or from the lapse of the one hundred eighty (180)-day period; otherwise, the decision shall become final, executory and demandable."

Pursuant to Section 228 of the NIRC of 1997, petitioner has thirty (30) days from receipt of the FLD/FAN within which to file its administrative protest and another thirty (30) days from receipt of respondent's decision, or from the lapse of 180-day period within which to file its Petition for Review with the Court.

In this case, petitioner received the FLD/FAN for alleged deficiency income tax and VAT in the total amount of ₱9,211,669.93 on September 5, 2012. Petitioner had 30 days from September 5, 2012 or until October 5, 2012 within which to file its administrative protest with respondent. Petitioner filed a Protest Letter contesting the audit/investigation results contained in the FLD/FAN on September 26, 2012.

On June 15, 2013, petitioner received a Letter dated May 28, 2013 from Regional Director Alberto S. Olasiman. Counting 30 days from June 15, 2013, petitioner had until July 15, 2013 within which to file its Petition for Review with the Court. Hence, the Petition for Review filed on July 15, 2013 was clearly filed within the 30-day prescriptive period.

At the outset, petitioner contends that it did not receive the PAN and that the same was not duly served. It argues that the PAN was erroneously served to another entity that is, Mindanao Sanitarium Hospital, which is not the petitioner.

On the matter of service of a tax assessment, the ruling of the Supreme Court in the case of *Barcelon, Roxas Securities, Inc. (now known as UBP Securities, Inc.) vs. Commissioner of Internal Revenue*, quoting the Court of Tax Appeals' decision, is instructive[38], to wit:

> "Jurisprudence is replete with cases holding that if the taxpayer denies ever having received an assessment from the BIR, **it is incumbent upon the latter to prove by competent evidence that such notice was indeed received by the addressee.** The onus probandi was shifted to respondent to prove by contrary evidence that the Petitioner received the assessment in the due course of mail. The Supreme Court has consistently held that while a mailed letter is deemed received by the addressee in the course of mail, this is merely a disputable presumption subject to controversion and a direct denial thereof shifts the burden to the party favored by the presumption to prove that the mailed letter was indeed received by the addressee *(Republic vs. Court of Appeals, 149 SCRA 351).* Thus as held by the Supreme Court in *Gonzalo P. Nava vs. Commissioner of Internal Revenue*, 13 SCRA 104, January 30, 1965:
>
> > 'The facts to be proved to raise this presumption are (a) that the letter was properly addressed with postage prepaid, and (b) that it was mailed. Once these facts are proved, the presumption is that the letter was received by the addressee as soon as it could have been transmitted to him in the ordinary course of the mail. But if one of the said facts fails to appear, the presumption does not lie. (VI, Moran, Comments on the Rules of Court, 1963 ed, 56-57 citing *Enriquez vs. Sunlife Assurance of Canada, 41 Phil 269).*'" *(Emphasis supplied)*

Respondent failed to discharge this duty and to present substantial evidence showing that petitioner indeed received the PAN dated July 17, 2012. In support of his allegation of proper service of PAN, respondent merely presented the Masterlist of Registered Mail[39] prepared and signed by Elmie L. Ello of BIR Revenue Region No. 16 – Cagayan de Oro City, where the name of petitioner, its address, and registry receipt number were noted, and the Certification[40] issued by Postmaster IV Macapado P. Caye. A perusal of the Certification, however, proves that the letter was addressed and delivered to a certain Mindanao Sanitarium and Hospital. Records reveal that Mindanao Sanitarium and Hospital **College**, Inc. (petitioner) and Mindanao Sanitarium

[38] G.R. No. 157064, August 7, 2006.
[39] Exhibit "R-21", docket, vol. 2, p. 615.
[40] Exhibit "R-23", docket, vol. 2, p. 619.

and Hospital, Inc.[41] are two different entities. Hence, the Court does not put much credence to these exhibits since they do not prove that the PAN was duly served upon petitioner. Furthermore, the registry receipt of the assessment notice could have been obtained easily. Yet respondent failed to present such evidence.

The Court shall now resolve whether the failure to strictly comply with the service of the PAN is tantamount to a denial of due process.

The answer to this query requires an examination of Section 228 of the NIRC of 1997, as amended, which reads:

> "SEC. 228. *Protesting of 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:
>
> > (a) When the finding for any deficiency tax is the result of mathematical error in the computation of the tax as appearing on the face of the return; or
> >
> > (b) When a discrepancy has been determined between the tax withheld and the amount actually remitted by the withholding agent; or
> >
> > (c) When a taxpayer who opted to claim a refund or tax credit of excess creditable withholding tax for a taxable period was determined to have carried over and automatically applied the same amount claimed against the estimated tax liabilities for the taxable quarter or quarters of the succeeding taxable year; or
> >
> > (d) When the excise tax due on exciseable articles has not been paid; or
> >
> > (e) When the article locally purchased or imported by an exempt person, such as, but not limited to, vehicles, capital equipment, machineries and spare parts, has been sold, traded or transferred to non-exempt persons.

[41] Exhibit "P-20", docket, vol. 2, pp. 811-818.

> **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.
>
> Such assessment may be protested administratively by filing a request for reconsideration or reinvestigation within thirty (30) days from receipt of the assessment in such form and manner as may be prescribed by implementing rules and regulations. Within sixty (60) days from filing of the protest, all relevant supporting documents shall have been submitted; otherwise, the assessment shall become final.
>
> If the protest is denied in whole or in part, or is not acted upon within one hundred eighty (180) days from submission of documents, the taxpayer adversely affected by the decision or inaction may appeal to the Court of Tax Appeals within thirty (30) days from receipt of the said decision, or from the lapse of the one hundred eighty (180)-day period; otherwise, the decision shall become final, executory and demandable." *(Emphasis supplied)*

Moreover, Revenue Regulations (RR) No. 12-99[42] laid down the due process requirement in the issuance of a deficiency tax, as follows:

> "SECTION 3. *Due Process Requirement in the Issuance of a Deficiency Tax Assessment.* –
>
> 3.1 Mode of procedures in the issuance of a deficiency tax assessment:
>
> 3.1.1 *Notice for informal conference.* – The Revenue Officer who audited the taxpayer's records shall, among others, state in his report whether or not the taxpayer agrees with his findings that the taxpayer is liable for deficiency tax or taxes. If the taxpayer is not amenable, based on the said Officer's submitted

[42] Implementing the Provisions of the National Internal Revenue Code of 1997 Governing the Rules on Assessment of National Internal Revenue Taxes, Civil Penalties and Interest and the Extra-Judicial Settlement of a Taxpayer's Criminal Violation of the Code Through Payment of a Suggested Compromise Penalty.

report of investigation, the taxpayer shall be informed, in writing, by the Revenue District Office or by the Special Investigation Division, as the case may be (in the case Revenue Regional Offices) or by the Chief of Division concerned (in the case of the BIR National Office) of the discrepancy or discrepancies in the taxpayer's payment of his internal revenue taxes, for the purpose of 'Informal Conference,' in order to afford the taxpayer with an opportunity to present his side of the case. If the taxpayer fails to respond within fifteen (15) days from date of receipt of the notice for informal conference, he shall be considered in default, in which case, the Revenue District Officer or the Chief of the Special Investigation Division of the Revenue Regional Office, or the Chief of Division in the National Office, as the case may be, shall endorse the case with the least possible delay to the Assessment Division of the Revenue Regional Office or to the Commissioner or his duly authorized representative, as the case may be, for appropriate review and issuance of a deficiency tax assessment, if warranted.

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 (see illustration in ANNEX A hereof). 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.

3.1.3 *Exceptions to Prior Notice of the Assessment.* – The notice for informal conference and the preliminary assessment notice shall not be required in any of the following cases, in which case, issuance of the formal assessment notice for the payment of the taxpayer's deficiency tax liability shall be sufficient:

> (i) When the finding for any deficiency tax is the result of mathematical error in the computation of the tax appearing on the face of the tax return filed by the taxpayer; or

> (ii) When a discrepancy has been determined between the tax withheld and the amount actually remitted by the withholding agent; or
>
> (iii) When a taxpayer who opted to claim a refund or tax credit of excess creditable withholding tax for a taxable period was determined to have carried over and automatically applied the same amount claimed against the estimated tax liabilities for the taxable quarter or quarters of the succeeding taxable year; or
>
> (iv) When the excise tax due on excisable articles has not been paid; or
>
> (v) When an article locally purchased or imported by an exempt person, such as, but not limited to, vehicles, capital equipment, machineries and spare parts, has been sold, traded or transferred to non-exempt persons."

Section 228 of the NIRC of 1997, as amended, requires that the taxpayer must first be informed that he is liable for deficiency taxes through the sending of a PAN. He must be informed of the facts and the law upon which the assessment is made. It must be remembered that the law imposes a substantive, not merely a formal, requirement. To proceed heedlessly with tax collection without first establishing a valid assessment is evidently violative of the cardinal principle in administrative investigations: that taxpayers should be able to present their case and adduce supporting evidence. Although taxes are the lifeblood of the government, their assessment and collection "should be made in accordance with law as any arbitrariness will negate the very reason for government itself."[43]

Further, it is clear that the sending of a PAN to petitioner to inform it 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 BIR Commissioner to strictly comply with the requirements laid down by law and its own rules is a denial of right to due process. Hence, for its failure to send the PAN stating the facts and the

---

[43] *Commissioner of Internal Revenue vs. Bank of the Philippine Islands*, G.R. No. 224327, June 11, 2018.

law on which the assessment was made as required by Section 228 of Republic Act (RA) No. 8424, the assessment made by the BIR Commissioner is void.[44]

Tax laws are civil in nature. Under our Civil Code, acts executed against the mandatory provisions of law are void, except when the law itself authorizes the validity of those acts. Failure to comply with Section 228 does not only render the assessment void, but also finds no validation in any provision in the Tax Code. We cannot condone errant or enterprising tax officials, as they are expected to be vigilant and law-abiding.[45]

It is an elementary rule enshrined in the 1987 Constitution that no person shall be deprived of property without due process of law. In balancing the scales between the power of the State to tax and its inherent right to prosecute perceived transgressors of the law on one side, and the constitutional rights of a citizen to due process of law and the equal protection of the laws on the other, the scales must tilt in favor of the individual, for a citizen's right is amply protected by the Bill of Rights under the Constitution. Thus, while "taxes are the lifeblood of the government," the power to tax has its limits, in spite of all its plenitude. 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.[46]

In view of the foregoing findings, the Court will no longer address the other issues raised by the parties, for it is well-settled that a void assessment bears no valid fruit.[47]

WHEREFORE, premises considered, the instant Petition for Review is hereby **GRANTED**. Accordingly, the Formal Letter of Demand with Details of Discrepancies and the Final Assessment Notices for alleged deficiency income tax and value-added tax for taxable year 2009 are **CANCELLED**.

SO ORDERED.

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

---

[44] *Commissioner of Internal Revenue vs. Metro Star Superama*, G.R. No. 185371, December 8, 2010.
[45] *Commissioner of Internal Revenue vs. Reyes*, G.R. Nos. 159694 and 163581, January 27, 2006.
[46] *Commissioner of Internal Revenue vs. United Salvage and Towage (Phils.), Inc.*, G.R. No. 197515, July 2, 2014.
[47] *Commissioner of Internal Revenue vs. Liquigaz Philippines Corporation*, G.R. Nos. 215534 and 215557, April 18, 2016.

I CONCUR:

ESPERANZA R. FABON-VICTORINO
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.

ESPERANZA R. FABON-VICTORINO
Associate Justice
Acting Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Acting Division Chairperson's Attestation, is it 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