REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

DESTINY CABLE, INC.,
Petitioner,

- versus -

THE CITY OF MAKATI AND HON. NELIA A. BARLIS, IN HER CAPACITY AS CITY TREASURER,
Respondents.

CTA AC NO. 182
(Civil Case No. 14-612)

Members:

CASTAÑEDA, JR., Chairperson,
CASANOVA, and
MANAHAN, *JJ.*

Promulgated:

MAR 14 2018

3:25 p.m.

x---x

DECISION

CASTAÑEDA, JR., *J.*:

THE CASE

This is a Petition for Review filed by Destiny Cable, Inc. on February 10, 2017, praying for the reversal and setting aside of the Decision[1] dated September 21, 2016 (assailed Decision) and the Order[2] dated January 5, 2017 (assailed Order) of the Regional Trial Court (RTC) of Makati City – Branch 66 in Civil Case No. 14-612 entitled "Destiny Cable, Inc. vs. The City of Makati and Hon. Nelia A. Barlis in her capacity as City Treasurer".

---

[1] Annex "A", CTA Docket, pp. 40-45.
[2] Annex "B", CTA Docket, p. 46.

In the assailed Decision, the RTC dismissed petitioner's Complaint for lack of merit and ordered it to pay its local business tax (LBT) assessment for calendar years (CYs) 2009, 2010, and 2011 in the aggregate amount of ₱25,069,245.92. The dispositive portion of the assailed Decision reads:

> "WHEREFORE, premises considered, the instant Complaint is hereby DISMISSED for lack of merit. Herein plaintiff is hereby directed to pay its taxes as assessed and embodied in the Notice of Assessment dated August 15, 2013 in the amount of Php25,069,245.92.
>
> SO ORDERED."[3]

Petitioner filed a Motion for Reconsideration[4], with respondents' Comment/Opposition[5] and petitioner's Reply[6], seeking the reversal of the assailed Decision. In the Order[7] dated January 5, 2017, the RTC held that it has squarely passed upon and resolved the issues at hand. Hence, it is not inclined to reconsider its Decision.

THE FACTS

The facts, as culled from the assailed Decision of the RTC, are as follows:

> Plaintiff is a domestic corporation engaged in the business of providing cable/community antennae television (CATV) systems and networks and multi-media training systems and other related services in the Philippines and other countries. On May 12, 2012, plaintiff and Sky Cable Corporation (Sky Cable) executed two Deeds of Sale and Assignment. Under the first Deed of Assignment, plaintiff assigned, transferred and conveyed to Sky Cable all its rights, obligations, title and interests to

---

[3] See Note 1, p. 45.
[4] RTC Docket, Vol. II, pp. 740-764.
[5] RTC Docket, Vol. II, pp. 767-773.
[6] RTC Docket, Vol. II, pp. 778-793.
[7] RTC Docket, Vol. II, p. 794.

all the assets, permits, licenses and intellectual property used in connection with or pertaining to the plaintiff's cable television business. In the second Deed of Assignment plaintiff assigned, transferred and conveyed to Sky Cable all its rights, obligations, title and interest under all the subscription contracts and various other contracts relating to its cable television business to Sky Cable.

On July 13, 2012, plaintiff likewise filed with the Department of Labor and Employment (DOLE) NCR an Establishment Termination Report wherein it notified DOLE of the termination of its 163 employees in view of the cessation of its operations.

On April 1, 2014, Sky Cable handed to plaintiff a copy of defendant City Treasurer's Final Notice of Assessment dated March 20, 2014, which demanded payment of plaintiff's deficiency taxes, fees and charges in the amount of Php25,069,245.92 within five days from receipt of the said Final Notice. The Final Notice states that plaintiff failed to file a protest against the defendants' Notice of Assessment dated August 15, 2013 which was allegedly received by the plaintiff on August 22, 2013.

On April 24, 2014, plaintiff wrote to defendant City Treasurer requesting for the withdrawal and cancellation of the Final Notice on the ground that the assessment for deficiency taxes, fees and charges in the amount of Php25,069,245.92 is null and void, because plaintiff was not served the Assessment Notice referred to in the Final Notice. On May 8, 2014, plaintiff received a copy of defendant City Treasurer's letter dated April 30, 2014 which denied plaintiff's request for withdrawal and cancellation of the assessment for deficiency taxes, fees and charges, hence this Complaint.

THE RTC'S DECISION

The RTC held that petitioner's acts and/or inaction effectively clothed Mr. Renie Garfin with apparent authority to receive documents for and on its behalf, and that it had also ratified the previous act of Mr. Garfin in receiving the Letter of Authority (LOA). The RTC ruled that respondents' position finds support in the case of *Yu Chick, Mack Yueng and Ding Moon vs. King Li Po*[8], where the Supreme Court held that one who clothes another with apparent authority as his agent and holds him out to the public as such, cannot be permitted to deny the authority of such person to act as his agent in good faith and in the honest belief that he is what he appears to be. The RTC ruled:

> Defendants deny that Mr. Garfin informed them of his authority as there was no actual encounter between him and the representative of defendants since they did not see each other at the time. Defendants therefore had every reason to believe that sending communications to the plaintiff thru Mr. Garfin was a valid service to plaintiff itself, hence, defendants' reliance on said representation is fair and reasonable under the given circumstances:
>
> xxx xxx xxx
>
> Clearly, Mr. Garfin did not meet the defendants' representative or messenger, as it was merely handed to him by the security guard.
>
> Moreover, there is nothing on record to show that plaintiff officially retired its business permit with the city government of Makati, hence the latter may fairly assume that plaintiff was still operating its business at the time the LoA and other notices were issued to the plaintiff. In fact, plaintiff has not filed its sworn statement in connection with its retirement of business in accordance with Section 145 of R.A. 7160.
>
> It is noteworthy that when defendants issued the LoA, it was Mr. Garfin who received the same. Instead of repudiating or disowning the authority of Mr. Garfin to

[8] G.R. No. L-22450, December 3, 1924.

> receive such documents from defendants, plaintiff even complied partially with the LoA by submitting some required documents. The action on the part of the plaintiff led defendants to believe and hold that Mr. Garfin was in fact authorized to receive such documents from defendants.
>
> Hence, this court fully agrees with defendants that all the foregoing acts and/or inaction on the part of plaintiff has effectively clothed Mr. Garfin with apparent authority to receive documents for and on its behalf, and that it had also ratified the previous act or *(sic)* Mr. Garfin in receiving the LoA. Defendants' position finds support in the Supreme Court ruling wherein it held that one who clothes another with apparent authority as his agent and holds him out to the public as such, cannot be permitted to deny the authority of such person to act as his agent in good faith and in the honest belief that he is what he appears to be. The doctrine of apparent authority provides that a corporation will be estopped from denying the agent's authority if it knowingly permits one of its officers or any other agent to act within the scope of an apparent authority, and it holds him out to the public as possessing the power to do these acts.

Thus, the RTC held that the LOA and other notices, including the August 15, 2013 Notice of Assessment, have been validly served upon petitioner through Mr. Renario Garfin. Since there is nothing on record to show that petitioner filed a written protest before the Office of the City Treasurer within sixty (60) days from receipt of the assessment, the RTC dismissed petitioner's Complaint.

PETITIONER'S ARGUMENTS

Petitioner appeals the assailed Decision on the following grounds:

1. The Assessment Notice is null and void for having been issued in violation of Section 171 of the Local

Government Code, in relation to Article 259 of its Implementing Rules and Regulations; and

2. The assessment is null and void for having been issued in violation of petitioner's right to due process.

As to petitioner's first argument, the provisions it cited state:

SEC. 171. *Examination of Books of Accounts and Pertinent Records of Businessmen by Local Treasurer.* – The provincial, city, municipal or barangay treasurer may, by himself or through any of his deputies duly authorized in writing, examine the books, accounts, and other pertinent records of any person, partnership, corporation, or association subject to local taxes, fees and charges in order to ascertain, assess, and collect the correct amount of the tax, fee, or charge. Such examination shall be made during regular business hours, only once for every tax period, and shall be certified to by the examining official. Such certificate shall be made of record in the books of accounts of the taxpayer examined.

In case the examination herein authorized is made by a duly authorized deputy of the local treasurer, the written authority of the deputy concerned shall specifically state the name, address, and business of the taxpayer whose books, accounts, and pertinent records are to be examined, the date and place of such examination and the procedure to be followed in conducting the same.

For this purpose, the records of the revenue district office of the Bureau of Internal Revenue shall be made available to the local treasurer, his deputy or duly authorized representative.

ARTICLE 259. *Examination of Books of Accounts and Pertinent Records of Businessmen.* –

(a) For purposes of implementing this Article, only the treasurer of the LGU imposing the tax, fee, or charge, may examine the books of accounts and pertinent records of businessmen in order to ascertain, assess, and collect the correct amount of taxes, fees, and charges.

(b) The provincial, city, municipal, or barangay treasurer may, by himself or through any of his deputies duly authorized in writing, examine the books, accounts, and other pertinent records of any person, partnership, corporation, or association subject to local taxes, fees, and charges.

(c) The examination shall be made during regular business hours not oftener than once a year for every tax period, which shall be the year immediately preceding the examination, and shall be certified by the examining official. Such certification shall be made of record in the books of accounts of the taxpayer examined.

(d) In case the examination is made by a duly authorized deputy of the local treasurer, the written authority of the deputy concerned shall specifically state the name, address, and business of the taxpayer whose books, accounts, and pertinent records are to be examined, the date and place of such examination, and the procedure to be followed in conducting the same.

(e) For this purpose, the records of the revenue district office of the BIR shall be made available to the local treasurer, his deputy or duly authorized representative.

(f) The Secretary of Finance shall prescribe the necessary forms to be used and such guidelines which may be deemed necessary for the proper and effective implementation of this Article.

Petitioner avers that since the LOA was issued on October 8, 2012, and the examination was conducted on July 25, 2013, the scope of examination should have been limited to CY 2012, the year immediately preceding the examination, following Article 259 above. Hence, respondents did not have any authority to examine petitioner's LBTs for CYs 2009, 2010 and 2011.

On petitioner's second argument, it contends that an assessment that has not been received by the taxpayer cannot become final and executory, and that improper service thereof cannot be binding.

Petitioner submits that the RTC erred in applying the doctrine of apparent authority in this case because petitioner allegedly has never held out to the public, or made any representation to respondents, that Mr. Garfin was its authorized representative. In particular, petitioner avers that:

1. It did not perform any positive act that could have led Mr. Flores, the utility worker who served the notices, to believe that Mr. Garfin had the authority to receive notices on behalf of petitioner;

2. It had no knowledge of the representations made by Mr. Garfin to Mr. Flores, if any; and

3. It was not responsible for respondents' imprudent and irrational conclusion that Mr. Garfin was an authorized representative of petitioner, especially considering Mr. Garfin's manifestations that he was no longer an employee of petitioner and that he has no authority to receive documents on behalf of petitioner.

Petitioner points out that the RTC erred in concluding that Mr. Garfin could not have possibly informed Mr. Flores of his lack of authority by relying on Mr. Garfin's lone statement that he did not see the person who delivered the LOA. Petitioner points out that the testimony that was quoted by the RTC pertains only to the service of the LOA. Petitioner avers that Mr. Garfin met with Mr. Flores at least three times – during the service of the Final Notice of Compliance, the Notice of Assessment, and the Final Notice of Assessment.

Petitioner argues that its partial compliance with the LOA does not amount to a ratification of Mr. Garfin's act of receiving notices for and on behalf of petitioner, nor can it be construed as clothing Mr. Garfin with apparent authority. Petitioner claims that it merely complied in good faith with the LOA, which is the first notice that it received from respondents in relation to the assessment.

Petitioner asserts that as a result of the erroneous service of the Notice of Assessment upon Mr. Garfin, petitioner could not have filed a written protest against the same since petitioner had no knowledge of respondents' assessment. Thus, petitioner contends that it was not given an opportunity to dispute respondents' assessment, which amounts to a violation of its right to due process.

THE ISSUE[9]

The following is the lone issue submitted for this Court's resolution:

> Whether or not the RTC erred in ruling that the deficiency LBT assessment against petitioner for 2009, 2010, and 2011 in the total amount of PHP25,069,245.92, as embodied in the respondents' Notice of Assessment dated August 15, 2013, is valid.

DISCUSSION/RULING

Basic is the rule in evidence that the burden of proof lies upon him who asserts it, not upon him who denies, since, by the nature of things, he who denies a fact cannot produce any proof of it.[10]

In this case, respondents are insisting that the Notice of Assessment was served upon petitioner through Mr. Garfin, who was allegedly clothed with apparent authority to receive the document on behalf of petitioner. It is undisputed that Mr. Garfin was formerly employed as Branch Manager of petitioner's Bangkal branch, and that

---

[9] Statement of the Issues, Petition for Review, CTA Docket, p. 12.
[10] *MOF Company, Inc. v. Shin Yang Brokerage Corporation*, G.R. No. 172822, December 18, 2009.

his employment was terminated in August 2012 by virtue of petitioner's sale of all its assets to Sky Cable. Hence, when the notices were served by Mr. Flores, Mr. Garfin was no longer an employee of petitioner. Evidently, respondents are making a positive assertion, and hence, they bear the burden of proof.

To prove that Mr. Garfin has apparent authority to receive the documents, respondents presented the following: (1) Letter of Authority No. 2012-0788; (2) Final Notice of Compliance; (3) Transmittal letter signed by Ms. Lo; (4) Notice of Assessment; (5) Final Notice of Assessment; and (6) the testimony of Mr. Flores.

The LOA[11] dated October 8, 2012 was issued by the Office of the City Treasurer advising petitioner that an examination of its books of accounts and other pertinent financial records for the period from 2009 to December 31, 2011 will be undertaken by Revenue Examiner Nestor R. Guzman. The document indicates that it was received by "S/G Arnold Bicoy" and "Renie Garfin" on October 15, 2012.

Thereafter, a Final Notice of Compliance[12] dated November 6, 2012 was issued by the same office, stating that no financial documents were furnished as required by the LOA, and giving petitioner five (5) more days to comply. This was received by "Renie Garfin" on November 7. A note was also handwritten in the document, which reads:

> Note:
> Copy forwarded
> Destiny Cable Inc.
> Solid Hauz Bldg.
> Pasong Tamo Ext
> Makati: c/o Cecil Lo 0922-858-3076

On December 10, 2012, petitioner, through Ms. Cecilia Lo, wrote a letter [13] to respondent City Treasurer, submitting the following documents:

---

[11] Exhibit "G", RTC Docket, Vol. II, p. 477.
[12] Exhibit "H", RTC Docket, Vol. II, p. 478.
[13] Exhibit "M", RTC Docket, Vol. II, p. 487.

1. Duly approved application form for renewal of annual business permits, computerized assessment printouts of mayor's permit and official receipts for 2009 to 2011;
2. Audited financial statements and income tax returns for 2008 to 2010;
3. Articles of Incorporation; and
4. Consolidated financial statement for 2008 to 2010.

Subsequently, a Notice of Assessment[14] dated August 15, 2013 was issued by the City of Makati, stating that petitioner is liable to pay deficiency taxes, fees and charges amounting to ₱25,069,245.92 covering taxable periods 2009 to 2011. The Notice of Assessment also indicates that it shall become final and executory within sixty (60) days from receipt, unless a tax protest is filed assailing its validity or propriety. The Notice of Assessment was received by "Renie Garfin" on August 22, 2013.

On March 27, 2014, "Renario Garfin" received the Final Notice of Assessment[15] dated March 20, 2014, which states that petitioner's right to file a tax protest on the Notice of Assessment has prescribed, considering that more than sixty (60) days has lapsed from August 22, 2013, the date of receipt indicated on the Notice of Assessment.

Ms. Lo, petitioner's witness, testified[16] that she received the LOA in early December of 2012, and immediately transmitted the documents required in the LOA. She further testified that on April 1, 2014, Mr. William San Jose, Sky Cable's administrative manager, handed her a copy of the Final Notice of Assessment, and it was only then that she knew of petitioner's deficiency tax assessment. Upon reading the same, she learned that a Notice of Assessment was issued to petitioner. As such, she went to Mr. San Jose's office, where she was able to find the Notice of Assessment.

Respondents argue that petitioner has ratified the receipt of the Letter of Authority and Final Notice of Compliance done by S/G

[14] Exhibit "I", RTC Docket, vol. II, p. 479.
[15] Exhibit "J", RTC Docket, vol. II, p. 481.
[16] Sworn Statement of Ms. Cecilia Lo, RTC Docket, Vol. II, p. 651.

Arnold Bicoy and Renie Garfin, respectively, because petitioner did not repudiate the claimed improper service in the transmittal letter executed by Ms. Lo. Respondents assert that as a result, this has clothed Mr. Garfin with apparent authority to receive the Notice of Assessment and Final Notice of Assessment on petitioner's behalf.

Contrary to respondents' position however, petitioner's failure to advise respondents of the same cannot clothe Mr. Garfin with apparent authority to receive the notices on behalf of petitioner.

The doctrine of apparent authority provides that a corporation will be estopped from denying the agent's authority if it knowingly permits one of its officers or any other agent to act within the scope of an apparent authority, and it holds him out to the public as possessing the power to do those acts. Apparent authority is derived not merely from practice. Its existence may be ascertained through (1) the general manner in which the corporation holds out an officer or agent as having the power to act or, in other words, the apparent authority to act in general, with which it clothes him; or (2) the acquiescence in his acts of a particular nature, with actual or constructive knowledge thereof, whether within or beyond the scope of his ordinary powers.[17]

It may not be amiss to point out that Mr. Garfin and the security guard whom Mr. Flores spoke with during his service of the Final Notice of Compliance have already disabused Mr. Flores of the notion that they are authorized by petitioner to receive the notice. Mr. Flores testified[18] as follows:

> 24.Q: How was the Final Notice of Compliance served?
>
> A: I went to Global Tower. When the security guard saw me he just took the Final Notice of Compliance and went inside the room behind the information desk. The security guard came back out and told me that they were unwilling to receive the Final

[17] *Philippine Race Horse Trainer's Association, Inc. v. Piedras Negras Construction and Development Corporation*, G.R. No. 192659, December 2, 2015.
[18] Judicial Affidavit of Witness Carlos R. Flores, RTC Docket, Vol. I, pp. 377-378.

Notice of Compliance since they were not authorized by higher management.

25.Q: What did you do after the security guard told you that they are unwilling to receive the Final Notice of Compliance?

A: I told him that refusal to receive is tantamount to the service of the Final Notice of Compliance. Therefore, even if they would not receive and sign the Final Notice of Compliance it is considered served.

26.Q: After telling him that, what did the security guard do if any?

A: The security guard went back inside the room behind the information desk, and came out with a signed "Received by" Final Notice of Compliance.

27.Q: Who was the signatory of the "Received by" of the Final Notice of Compliance?

A: RENIE GARFIN

Similarly, when Mr. Flores served the Notice of Assessment, he was informed that they are no longer Destiny Cable, Inc. Moreover, the Global Tower office where he had previously delivered the LOA and Final Notice of Compliance was already vacant. Hence, he had to go to the office at Evangelista cor. Dallas Street to serve the same. He testified:[19]

34.Q: Where did you go to serve the Notice of Assessment?

---

[19] Judicial Affidavit of Witness Carlos R. Flores, RTC Docket, Vol. I, pp. 379-380.

A: Same sir. Destiny Cable Inc. Global Tower Branch at U-102 Global Tower cor. Capt. Reyes & Gen. Mascarado St., Bangkal Makati City.

35.Q: What happened when you arrived at that office address?

A: I found that the space where Destiny Cable Inc. used to hold office was already vacant.

36.Q: After learning such, what did you do?

A: I asked the security guard of Global Tower where Destiny Cable Inc. went.

37.Q: What did the security guard tell you?

A: He told me that there was a small piece of paper outside of the space where Destiny Cable Inc. used to be located indicating their new location so I went to check and see.

38.Q: What was written in the piece of paper outside of the vacant office space?

A: The new address of Destiny Cable.

39.Q: What did you do next if any?

A: I went to the new location of Destiny Cable Inc. to serve the Notice of Assessment since it was just a few blocks away.

40.Q: What did you observe upon reaching the place?

A: Destiny Cable Inc. was indicated everywhere in the place.

41.Q: What do you mean by Destiny Cable Inc. was indicated everywhere?

A: All employees inside and out the building were wearing Destiny Cable Inc. shirts and even the service trucks or vehicles had Destiny Cable Inc. printed on them.

42.Q: What did you do upon reaching the new location of Destiny Cable?

A: I talked to the Security Guard and asked for the manager or person authorized to receive the Notice of Assessment.

43.Q: What did the Security Guard do if any?

A: He took the Notice of assessment and went to the second floor of the building. When he came back he told me that they will no longer receive the notice of assessment because they are no longer Destiny Cable Inc.

44.Q: What was your reaction to the statement of the Security Guard?

A: I told him that if this is no longer Destiny Cable Inc. then what is the name of you company. The piece of paper located in the previous address of Destiny Cable Inc. stated that Destiny Cable Inc. moved here. I asked him if it is possible that I talk to someone in charge because I have to write some details why the Notice of Assessment was refused.

45.Q: What happened next, if any?

A: The security guard went back up to the second floor. When he came back down he told me that there was an instruction not to receive any official or legal documents from Makati City Hall regarding Destiny Cable Inc. They are no longer authorized to receive.

46.Q: What did you do next, if any?

A: I showed the Security Guard my I.D. from the Makati City Hall, and told him that maybe he could allow me to go up to talk to the person in charge so I could write the details of why the Notice of Assessment was being refused.

47.Q: What happened next, if any?

A: The Security Guard went back up. After around 30 minutes, I was allowed to go up. That was the first time I saw RENIE GARFIN personally signing the Notice of Assessment. He also kept on apologizing because they needed to verify in the head office if they should receive the Notice of Assessment.

Upon cross-examination[20], Mr. Flores testified as follows:

ATTY. TANCHICO:

Q: Okay. After bringing the notice to the second floor, what happened next? How did you get the Notice of Assessment with the receipt?

WITNESS:

A: When the security guard came down, he told me that they are not authorized to receive because they are no longer Destiny Cable, Inc. When I asked him

[20] Transcript of Stenographic Notes (TSN), February 16, 2016, pp. 39-40.

what permit do you have, for what company, he brought it back to the second floor.

ATTY. TANCHICO:

Q: Okay. So you would agree with me that you tried to serve a notice to someone who explicitly told you that they are not the person you're trying to serve, they're not the addressee of the document, correct?

WITNESS:

A: No, ma'am because there are still marking of Destiny Cable, so I was trying to serve it to Destiny Cable.

ATTY. TANCHICO:

Q: So you served the document because you assumed that it was Destiny Cable? Yes or no?

WITNESS:

A: Yes, ma'am.

ATTY. TANCHICO:

Q: So, you are confirming that you assumed that the company you are trying to serve is the same despite the fact that you were told explicitly that it was not the company, correct?

WITNESS:

A: Yes, ma'am.

Clearly, Mr. Flores was repeatedly informed that they were not authorized to receive the Notice of Assessment, and yet, he still insisted to let them receive it. In fact, Mr. Flores' testimony is in line with Mr. Garfin's testimony. Upon cross-examination [21] by respondents' counsel on his refusal to accept the documents, Mr. Garfin said that he informed the messenger of the City of Makati of the wrong address, but the messenger insisted that the notice be received by Mr. Garfin:

ATTY. HAO –

And since there was no instruction for you to refrain from receiving, why did you refuse to receive?

WITNESS –

Actually, sir, from the start sinasabi ko na po sa messenger ng Makati na yung Destiny Cable ay walang relasyon sa Sky Cable, in fact, yung address po ay hindi tama kaya and *(sic)* sabi ko sa kanila na hindi dito yon pero iniwan nila at and *(sic)* sabi paki-bigay na lang daw.

COURT –

Okay, quote the answer.

ATTY. HAO –

Despite the instruction to you?

WITNESS –

Ayaw pong umalis sa office hangga't hindi niri-receive yung letter.

[21] TSN, December 8, 2015, pp. 25-27.

ATTY. HAO –

So, Mr. Witness, you have been a Manager for 9 years already and just because the messenger refused to leave you will accept notice that were erroneously sent to your office?

WITNESS –

Actually, hindi po siya ganoon kadaling kausap, sir.

From the foregoing testimonies, it is perplexing how respondents could argue that Mr. Garfin is clothed with apparent authority to receive the notices when Mr. Garfin and the security guards with whom Mr. Flores spoke with, all deny that they have authority to do so.

Hence, the Court finds that respondents' evidence falls short of proving that Mr. Garfin has been clothed with apparent authority to receive the notices on petitioner's behalf.

Moreover, while the documents are all addressed to Destiny Cable, Inc., U-102 Global Tower cor. Capt. Reyes and Gen. Mascardo Sts., Brgy. Bangkal, City of Makati, Mr. Flores himself testified that he delivered the Notice of Assessment and Final Notice of Assessment at the "new location of Destiny Cable," and not at the Global Tower address indicated on the notices.

In addition, Mr. Garfin wrote a note on the Final Notice of Compliance in order for respondents to deliver the notices at the right address. The Court also notes that petitioner's address indicated in its Audited Financial Statements and Annual Income Tax Returns for the periods 2008, 2009 and 2010, which were submitted to respondents per Transmittal Letter dated December 10, 2012, all indicate the address "Solid House 2285 Pasong Tamo Extension, Makati City".

As correctly stated by petitioner, all of the foregoing circumstances show that respondents had possession of certain facts that would have casted doubt, or should have put an ordinary prudent person to doubt Mr. Garfin's authority to receive the notices on behalf of petitioner.

It is incumbent upon respondents to ensure that critical notices, such as the Notice of Assessment in the present case, be actually served upon the taxpayer. An assessment not only contains a computation of tax liabilities, but also a demand for payment within a prescribed period. It also signals the time when penalties and interests begin to accrue against the taxpayer. To enable the taxpayer to determine his remedies thereon, due process requires that it must be served on and received by the taxpayer.[22]

This Court has consistently ruled that in balancing the scales between (1) the State's power to tax and the right to prosecute perceived transgressors of the law, and (2) the constitutional rights of a citizen to due process of law and the equal protection of the laws, the scales must tilt in favor of the latter, for a citizen's right is amply protected by the Bill of Rights. Thus, while taxes are the lifeblood of the government, it has its limits, in spite of all its plenitude and must be exercised reasonably and in accordance with the prescribed procedure.[23]

A careful evaluation of the records shows respondents' failure to exercise ordinary care and prudence in serving the Notice of Assessment. As a result, respondents were not able to properly serve the Notice of Assessment, which deprived petitioner of the opportunity to contest the deficiency LBT assessment against it. Hence, the same is void for being in violation of petitioner's right to due process.

WHEREFORE, premises considered, the Petition for Review filed by Destiny Cable, Inc. is **GRANTED**. The Decision dated September 21, 2016 and the Order dated January 5, 2017 are **REVERSED** and **SET ASIDE**.

[22] *Estate of the Late Juliana Diez Vda. De Gabriel v. Commissioner of Internal Revenue*, G.R. No. 155541, January 27, 2004, citing *Commissioner of Internal Revenue v. Pascor Realty and Development Corporation, et al.*, G.R. No. 128315, June 29, 1999.

[23] *Bloat and Ogle, Inc. v. Commissioner of Internal Revenue*, CTA Case No. 8682, September 2, 2016, citing *Commissioner of Internal Revenue v. United Salvage and Towage (Phils.), Inc.*, G.R. No. 197515, July 2, 2014.

SO ORDERED.

JUANITO C. CASTAÑEDA, JR.
Associate Justice

WE CONCUR:

CAESAR A. CASANOVA
Associate Justice

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.
Associate Justice

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