



Republic of the Philippines  
Supreme Court  
Manila

FIRST DIVISION

CITY of ILOILO,

Petitioner,

G.R. No. 233861

Present:

- versus -

PHILIPPINE PORTS AUTHORITY  
and DEVELOPMENT BANK of the  
PHILIPPINES,

Respondents.

PERALTA, CJ., Chairperson  
CAGUIOA,  
CARANDANG,  
ZALAMEDA, and  
GAERLAN, JJ.

Promulgated:

JAN 12 2021

X

DECISION

ZALAMEDA, J.

Before the Court is a petition for review on *certiorari*<sup>1</sup> under Rule 45 of the Rules of Court assailing the Decision<sup>2</sup> of the Court of Appeals (CA) dated 22 November 2016 and Resolution<sup>3</sup> dated 28 July 2017 in CA G.R. CV No. 102578.

Antecedents

On 03 November 2005, the Development Bank of the Philippines (DBP) received a Notice of Garnishment<sup>4</sup> from petitioner City of Iloilo (petitioner), levying bank deposits of the Philippine Ports Authority (PPA) on account of its realty and business taxes delinquencies, interest, charges and penalties in the amount of Php44,298,470.11, pursuant to this Court's

<sup>1</sup> *Rollo*, pp. 35-60.

<sup>2</sup> *Id.* at 70-85; penned by Associate Justice Marie Christine Azcarraga-Jacob, with Associate Justices Ricardo R. Rosario (now a Member of this Court) and Edwin D. Sorongon, concurring.

<sup>3</sup> *Id.* at 64-67.

<sup>4</sup> *Id.* at 258-259.

judgment in G.R. Nos. 109791<sup>5</sup> and 143214.<sup>6</sup> DBP thus notified PPA of the notice of garnishment.<sup>7</sup>

PPA requested petitioner to recall the notice of garnishment,<sup>8</sup> claiming that its liability for local and real property taxes subject of this Court's judgment in G.R. Nos. 109791 and 143214, including interests and surcharges, had already been paid.<sup>9</sup> It also asked DBP to release its funds from garnishment.<sup>10</sup> Both efforts to cancel the garnishment of its funds proved futile.

On 05 June 2009, PPA filed a complaint against petitioner and DBP for declaration of nullity of the notice of garnishment with prayer for temporary Restraining Order (TRO) and/or writ of preliminary injunction,<sup>11</sup> docketed as Civil Case No. 09-121552, before Branch 33, Regional Trial Court (RTC) of Manila.

DBP, in its Answer, acknowledged the local government unit's power to issue a notice of garnishment against bank deposits of delinquent taxpayers. It explained that it has no authority to determine if PPA had already settled its tax obligations with petitioner, hence, it cannot release PPA's funds from garnishment.<sup>12</sup>

Petitioner, for its part, argued that the complaint had no cause of action since PPA's status as a taxable entity had already been settled under G.R. Nos. 109791 and 143214. It also alleged that PPA failed to comply with the condition precedent under Section 252 of the Local Government Code (LGC), specifically, to pay its tax liabilities under protest.<sup>13</sup>

The RTC denied the application for a writ of injunction on 23 July 2009.<sup>14</sup> The PPA questioned the RTC resolution before the CA through a petition for *certiorari*, which was denied. This Court affirmed the CA in G.R. No. 204908.

<sup>5</sup> *Philippine Ports Authority v. City of Iloilo*, 14 July 2003.

<sup>6</sup> *Philippine Ports Authority v. City of Iloilo, et al.*, 11 November 2004.

<sup>7</sup> *Id.* at 71.

<sup>8</sup> *Id.* at 247-249.

<sup>9</sup> *Id.* at 250-252.

<sup>10</sup> *Id.* at 250-252.

<sup>11</sup> *Id.* at 260-281.

<sup>12</sup> *Id.* at 72.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 284-289.



On 19 September 2012, the RTC rendered a Decision<sup>15</sup> dismissing PPA's complaint for lack of merit. It found that the notice of garnishment was not limited to the amounts subject of G.R. Nos. 109791 and 143214 but also included other liabilities, particularly those pertaining to the Iloilo Port Complex. The RTC ruled that PPA could not invoke the ruling in *Spouses Curata v. Philippine Ports Authority*<sup>16</sup> because the subject of that decision was expropriation, and it was issued in 2009, or four (4) years after petitioner's issuance of the notice of garnishment in 2005.

PPA thus appealed to the CA.<sup>17</sup> Notably, only DBP filed an appellee's brief. Meanwhile, on 07 November 2013, petitioner requested DBP to release Php67,686,923.90 additional funds from PPA's accounts, in view of the finality of this Court's judgment in G.R. No. 204908.<sup>18</sup>

DBP, through its Balanga, Bataan branch, remitted to petitioner the deposits of PPA in the amount of Php3,892,372.99 on 26 November 2013.<sup>19</sup> It remitted an additional Php554,959.72 on 18 December 2013, allegedly pertaining to the interests accruing on the previously garnished deposits of PPA.<sup>20</sup>

On 20 November 2014, petitioner issued sixteen (16) notices of assessment to PPA for its real property tax liabilities for 2015.<sup>21</sup>

### **Ruling of the CA**

The CA granted the appeal and ruled in favor of PPA on 22 November 2016. It declared the Notice of Garnishment dated 26 October 2005 void, and directed petitioner to return the amount of Php26,661,552.41 to PPA.<sup>22</sup>

It held that PPA is a government instrumentality pursuant to the rulings in *MIAA v. Court of Appeals* (MIAA case),<sup>23</sup> *Republic v. Parañaque*,<sup>24</sup> *Philippine Fisheries Development Authority v. Court of Appeals*.<sup>25</sup> As such, its real properties devoted for public use are exempt

<sup>15</sup> *Id.* at 90-99; penned by Presiding Judge Reynaldo G. Ros.

<sup>16</sup> G.R. Nos. 154211-12, 158252, 166200, 168272, 170683 & 173392, 22 June 2009, 608 Phil. 9 (2009) [Per J. Velasco, Jr.].

<sup>17</sup> *Rollo*, pp. 290-331.

<sup>18</sup> *Id.* at 332.

<sup>19</sup> *Id.* at 338.

<sup>20</sup> *Id.* at 343.

<sup>21</sup> *Id.* at 364-379.

<sup>22</sup> *Id.* at 84.

<sup>23</sup> G.R. No. 155650, 20 July 2006, 528 Phil. 181 (2006) [Per J. Carpio].

<sup>24</sup> G.R. No. 191109, 18 July 2012, 691 Phil. 476 (2012) [Per J. Mendoza].

<sup>25</sup> G.R. No. 169836, 31 July 2007, 555 Phil. 661 (2007) [Per J. Ynares-Santiago].

from real property tax.<sup>26</sup>

Further, the CA noted that the issue of whether Iloilo Port Complex is a taxable property was already settled by a final and executory decision<sup>27</sup> of Branch 34, RTC of Iloilo City dated 11 August 1992.<sup>28</sup> As to the notice of garnishment, the CA found it invalid because PPA had already settled its liabilities under G.R. Nos. 109791 and 143214. The CA also noted that the City of Iloilo's failure to issue a notice of assessment prior to the distraint was in violation of Section 195 of the LGC.<sup>29</sup> Finally, it opined that petitioner should have sought execution of the judgment in G.R. Nos. 109791 and 143214 instead of pursuing civil remedies against PPA.<sup>30</sup>

Hence, this petition for review.

### Issues

Petitioner raised the following grounds in support of its petition:

- I. THE HONORABLE COURT OF APPEALS HAS ERRED IN DENYING THE PETITIONER'S MOTION FOR RECONSIDERATION DESPITE THE FACT THAT THE APPELLATE COURT DID NOT ACQUIRE JURISDICTION OVER THE SUBJECT MATTER THE QUESTION BEING THE VALIDITY OF THE LOCAL GOVERNMENT UNIT TO IMPLEMENT AND ENFORCE LOCAL TAX COLLECTION THROUGH GARNISHMENT WHICH FALLS WITHIN THE EXCLUSIVE JURISDICTION OF THE COURT OF TAX APPEALS (CTA);
- II. THE HONORABLE COURT OF APPEALS GRAVELY ERRED AND COMMITTED GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK OR EXCESS OF JURISDICTION WHEN IT HELD THAT SECTION 196 OF RA 7160 DOES NOT FIND APPLICATION IN THE INSTANT CASE

Petitioner contends that the CA has no jurisdiction to review the judgment of the RTC. Citing *CE Casecan Water & Energy Co., Inc. v. Province of Nueva Ecija*,<sup>31</sup> it claims that the CTA has jurisdiction to review

<sup>26</sup> *Rollo*, pp. 76-77.

<sup>27</sup> *Id.* at 449-457.

<sup>28</sup> *Id.* at 78.

<sup>29</sup> *Id.* at 79-80.

<sup>30</sup> *Id.* at 82-83.

<sup>31</sup> G.R. No. 196278, 17 June 2015, 760 Phil. 835 (2015).

the decision of the RTC since the same involves a local tax case.<sup>32</sup> Likewise, the CA erroneously relied on the *MIAA* case because allegedly there is no categorical declaration therein that MIAA and PPA are similarly situated in terms of their tax-exempt status.<sup>33</sup>

### Ruling of the Court

*The CA has jurisdiction to review the RTC decision*

Jurisdiction is defined as the power and authority of a court to hear, try, and decide a case. In order for the court or an adjudicative body to have authority to dispose of the case on the merits, it must acquire, among others, jurisdiction over the subject matter.<sup>34</sup> Jurisdiction over the subject matter of a case is conferred by law.<sup>35</sup>

The jurisdiction of the CTA on local tax cases is set forth in Section 7 (a) (3) of Republic Act No. 9282 (RA 9282), 52, viz.:

SEC. 7. Jurisdiction. — The CTA shall exercise:

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

3. Decisions, orders or resolutions of the Regional Trial Courts in local tax cases originally decided or resolved by them in the exercise of their original or appellate jurisdiction.

Based on this provision, the CTA's appellate jurisdiction over RTC decisions, orders, or resolutions may only be invoked over a ruling in a local tax case.<sup>36</sup> In other words, the action in the RTC must be in the nature of a tax case, or one which primarily involves a tax issue.<sup>37</sup> On the other hand, the jurisdiction of the court is determined by the nature of the action pleaded based on the allegations in the complaint and the character of the relief sought.<sup>38</sup>

<sup>32</sup> *Rollo*, pp. 41-49.

<sup>33</sup> *Id.* at 54.

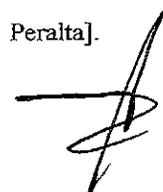
<sup>34</sup> *Ignacio v. Office of the City Treasurer of Quezon City*, G.R. No. 221620, 11 September 2017, 817 Phil. 1133 (2017) [Per J. Perlas-Bernabe].

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

<sup>37</sup> *Id.*

<sup>38</sup> *Padlan v. Spouses Dinglasan*, G.R. No. 180321, 20 March 2013, 707 Phil. 83 (2013) [Per J. Peralta]. See also *Ignacio v. Office of the City Treasurer of Quezon City*, supra.



In this case, PPA's complaint for declaration of nullity and damages with prayer for TRO and/or writ of preliminary injunction assails petitioner's resort to garnishment in order to enforce the final and executory judgment of this Court in G.R. Nos. 109791 and 143214, viz:

#### FIRST CAUSE OF ACTION

3.2 As intimated, defendant City sought to garnish plaintiff's funds with defendant DBP to satisfy plaintiff's alleged liability for taxes, interests, penalties and surcharges adjudged in G.R. Nos. 109791 and 143214.

3.3 But **plaintiff effected full payment of its assessed tax liabilities** as follows:

- (i) realty taxes and penalties on the warehouse subject of G.R. Nos. 109791 and 143214 in the total amount of Php1,259,916 for the period covering 1985 to 1996;
- (i) business taxes and penalties subject of G.R. No. 109791 in the total amount of Php446,505.92 for the period of 1984 to 1986 and 1995-2005;
- (ii) realty taxes and penalties on the edifices and buildings covered by G.R. No. 143214 in the aggregate sum of Php227,917.28.

3.4 **That payment of the foregoing sums completely satisfied the tax liabilities adverted to is evidenced by official receipts issued by no less than defendant City**, thru its City Treasurer, which indicate the word "FULL" to describe the event of plaintiff's payment.

3.5 Notwithstanding such clear notation on the official receipts, defendant City illegally and wantonly issued a notice of garnishment to collect the very same tax liabilities subject of the mentioned Supreme Court cases.

3.6. Worse the purposed liabilities ballooned exponentially to PHP44,298,471.37 without any specification.

3.7 Moreover, note that the notice of garnishment was issued in implementation of the final and executory decisions in G.R. Nos 109791 and 143214. xxx

xxx

3.9 **G.R. No. 109791 to recall, originated from an action for collection instituted by defendant City.** The liabilities adjudged thereto, as affirmed by the Honorable Supreme Court, is enforceable only by a writ of execution duly issued by the trial court. Instead of going thru the legal and procedural remedies in the execution of judgment, defendant City took upon itself to implement the judgment by unilaterally issuing the subject notice of garnishment. To aggravate its procedural lapse, defendant City itself served the notice of garnishment when it should have been served by the court sheriff as provided by the rules of court.



3.10 The notice of garnishment therefore, is defective and irregular on two counts: (i) it is without basis as the liabilities alluded to therein have been fully paid; and (ii) it was issued **in violation of the rule on execution of judgments, which defendant City should have followed**. Failing in this respect, the notice of garnishment should be nullified under Article 4 of the Civil Code which renders void ab initio acts done in violation of mandatory provision of the law.<sup>39</sup> (Emphasis ours)

It is apparent then that PPA is not objecting to the amount of its tax liability. On the contrary, it admitted that it is indeed liable for the real property and business taxes for the periods adjudged under G.R. Nos. 109791 and 143214. Indeed, it even admits it had already paid its liability in full. The complaint was merely to question petitioner's resort to garnishment, claiming that it already paid its liabilities therein. Clearly, PPA's complaint was **not anchored on a tax issue** but on the propriety of the remedy adopted by the City of Iloilo to enforce the final judgment of this Court. As such, the subject RTC Decision could not be characterized as a local tax case over which the CTA could have properly assumed jurisdiction on appeal.

The existence of a final and executory judgment fixing PPA's local and real property tax liabilities distinguishes this case from *CE Casecan Water & Energy Co., Inc. v. Province of Nueva Ecija*.<sup>40</sup> While the latter case stemmed from a supposed erroneous assessment of therein petitioner's real property tax liability, the instant controversy is premised on the erroneous execution of this Court's final and executory judgment in G.R. Nos. 109791 and 143214.

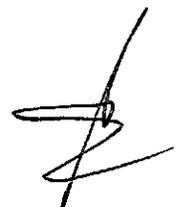
*As an incident of its exemption from local taxation, its properties are likewise exempt from the means to collect such taxes*

In the *MIAA* case,<sup>41</sup> the Court also elucidated that properties of government instrumentalities are of public dominion and are thus outside the commerce of men. They are not subject to levy, encumbrance, or disposition through public or private sale since they are intended for public use. This is necessarily so because essential public services will stop if properties of public dominion are subject to encumbrances, foreclosures, and auction

<sup>39</sup> *Rollo*, pp. 271-274.

<sup>40</sup> G.R. No. 196278, 17 June 2015, 760 Phil. 835 (2015).

<sup>41</sup> *Supra* note 21.



sale.<sup>42</sup>

The Court, in *Spouses Curata v. Philippine Ports Authority*,<sup>43</sup> invalidated the lower court's action in subjecting PPA funds to execution pending appeal as payment for just compensation. Citing the ruling in *MIAA*, this Court declared that PPA is a government instrumentality, whose properties may not be subjected to any form of execution, viz:

In *Commissioner of Public Highways v. San Diego*, no less than the eminent Chief Justice Claudio Teehankee explained the rationale behind the doctrine that government funds and properties cannot be seized under a writ of execution, thus:

The universal rule that where the State gives its consent to be sued by private parties either by general or special law, it may limit claimant's action "only up to the completion of proceedings anterior to the stage of execution" and that the power of the Courts ends when the judgment is rendered, since government funds and properties may not be seized under writs of execution or garnishment to satisfy such judgments, is based on obvious considerations of public policy. Disbursements of public funds must be covered by the corresponding appropriation as required by law. **The functions and public services rendered by the State cannot be allowed to be paralyzed or disrupted by the diversion of public funds from their legitimate and specific objects, as appropriated by law.**

**PPA's monies, facilities and assets are government properties. Ergo, they are exempt from execution whether by virtue of a final judgment or pending appeal.**

PPA is a government instrumentality charged with carrying out governmental functions through the management, supervision, control and regulation of major ports of the country. It is an attached agency of the Department of Transportation and Communication pursuant to PD 505.

This Court's disquisition in *Manila International Airport Authority v. Court of Appeals*—ruling that MIAA is not a government-owned and/or controlled corporation (GOCC), but an instrumentality of the National Government and thus exempt from local taxation, and that its real properties are owned by the Republic of the Philippines — is instructive. Therein we found that MIAA is neither a stock or a non-stock corporation, for its capital is not divided into shares nor does it have members. Moreover, the airport lands and buildings it administers are owned by the Republic, which certainly takes them outside the commerce of man and makes MIAA a mere trustee thereof. These findings are squarely applicable to PPA, as it is similarly situated as MIAA. **First, PPA is likewise not a GOCC for not having shares of stocks or members.**

<sup>42</sup> *Id.*

<sup>43</sup> G.R. Nos. 154211-12, 158252, 166200, 168272, 170683 & 173392, 22 June 2009, 608 Phil. 9 (2009).

**Second, the docks, piers and buildings it administers are likewise owned by the Republic and, thus, outside the commerce of man. Third, PPA is a mere trustee of these properties. Hence, like MIAA, PPA is clearly a government instrumentality, an agency of the government vested with corporate powers to perform efficiently its governmental functions.**

**Therefore, an undeniable conclusion is that the funds of PPA partake of government funds, and such may not be garnished absent an allocation by its Board or by statutory grant. If the PPA funds cannot be garnished and its properties, being government properties, cannot be levied via a writ of execution pursuant to a final judgment, then the trial court likewise cannot grant discretionary execution pending appeal, as it would run afoul of the established jurisprudence that government properties are exempt from execution. What cannot be done directly cannot be done indirectly. (Emphasis ours)**

Considering these aforesaid court decisions, PPA's funds cannot be a subject of execution.

Nonetheless, petitioner cannot be faulted for relying on the Court's prior rulings when it sought to collect local taxes from PPA on its properties. We note and acknowledge that the *MIAA* case was promulgated in 2006, while the garnishment subject of the instant case was issued in 2005. Be that as it may, the Court affirms the CA's finding that the 2005 notice of garnishment issued by petitioner against PPA is invalid.

*The notice of garnishment is void because it varies the money judgment set forth in G.R. Nos. 109791 and 143214*

Garnishment is a mode of satisfaction of a money judgment.<sup>44</sup> In legal contemplation, it is a forced novation by the substitution of creditors: the judgment debtor, who is the original creditor of the garnishee is, through service of the writ of garnishment, substituted by the judgment creditor who thereby becomes creditor of the garnishee. Under Rule 39 of the Rules of Court, the garnishee is obliged to deliver "debts due to the judgment obligor and other credits"<sup>45</sup> to the proper officer issuing the writ. Moreover, "the law exempts from liability the person having in his possession or under his control any credits or other personal property belonging to the defendant . . . if such property be delivered or transferred . . . to the clerk, sheriff, or other

<sup>44</sup> *Perla Compania De Seguros, Inc. v. Ramolete*, G.R. No. 60887, 13 November 1991, 280 Phil. 530 (1991).

<sup>45</sup> Section 9 (c), Rule 39.

officer of the court in which the action is pending.”<sup>46</sup>

Given its purpose, a writ of garnishment must necessarily be consistent with the judgment it intends to satisfy. It must conform to that ordained or decreed in the dispositive part of the decision.<sup>47</sup> Execution not in harmony with the judgment is bereft of validity. In this case, the notice of garnishment was issued to satisfy PPA’s liability under this Court’s final judgment in G.R. Nos 109791 and 143214.

In G.R. No. 109791, promulgated in 2003, PPA was held liable for: (1) Php98,519.16, as real property tax on its warehouse, from the last quarter of 1984 up to December 1986; and (2) the amount of Php3,828.07, as business tax, for the lease of real estate from the last quarter of 1984 up to 1988. The tax liability for business taxes was for the lease of its building to private corporations. Meanwhile, in deciding G.R. No. 143214 a year later, this Court upheld the petitioner’s assessment of real property tax on PPA’s warehouse and buildings from 1985-1989 totaling Php125,990.95.

Considering the amount of PPA’s tax liabilities in the aforesaid cases, it is at once apparent that the amount petitioner sought to collect under the notice of garnishment in 2005, specifically, Php44,298,470.11, was drastically in excess of the money judgments against PPA. For this reason, the notice of garnishment is void as it varies the amounts specified in G.R. Nos. 109791 and 143214.

*PPA’s liabilities under G.R. Nos.  
109791 and 143214 were already  
paid*

The irregularity in the notice of garnishment is further highlighted by the fact that PPA was able to establish that the money judgments, plus interests and surcharges, in G.R. Nos. 109791 and 143214 were already settled and paid.

As noted by the CA, and undisputed by petitioner, PPA paid Php1,259,916.95 for its real property tax liabilities from 1984 to 1986, inclusive of charges, interest and penalties, and Php663,381.92 for its business taxes liabilities from 1984 to 2005, pursuant to the decision in G.R.

<sup>46</sup> *Perla Compania De Seguros, Inc. v. Ramolete*, G.R. No. 60887, 13 November 1991, 280 Phil. 530 (1991).

<sup>47</sup> *National Power Corp. v. Tarcelo*, G.R. No. 198139, 08 September 2014, 742 Phil. 463 (2014) [Per J. Del Castillo].

No. 109791. On the other hand, to satisfy the judgment in G.R. No. 143214, PPA paid Php227,917.28.<sup>48</sup>

Considering that petitioner already collected on the money judgments under G.R. Nos. 109791 and 143214, there is no basis for the garnishment of Php 44,298,470.11.

*Garnishment for supposed tax liabilities other than those covered by G.R. Nos. 109791 and 143214 is void for lack of prior assessment*

To justify the obvious disparity of the money judgments in G.R. Nos. 109791 and 143214, petitioner harps on PPA's supposed tax delinquencies on its eighteen (18) other properties in Loboc, Lapaz and Veteran's Village in Iloilo City<sup>49</sup>.

Petitioner cannot combine all of PPA's supposed tax liabilities and seek control of all its funds in various banks without undergoing the proper process of assessment. Notably, the notice of garnishment dated 26 October 2005 did not cite any other liability other than those pertaining to PPA's judgment debt on its tax liabilities, *viz*:

#### GARNISHMENT

You are hereby notified by these presents that by virtue of the Realty and business delinquencies, interests, surcharges and penalties of the Philippine Ports Authority (PPA) and/or Iloilo Commercial Port Complex, levy is hereby made upon all kinds of bank deposits in your possession or under your control **pursuant to the Supreme Court decision which has become final and executory declaring PPA liable for such delinquencies, interest, surcharges and penalties in the case of PPA v. Iloilo City docketed as GR nos. 109791 and 143214 copies of which are hereto attached for your reference**, sufficient to cover the sum of Forty Four Million Two hundred Ninety Eight Thousand Four Hundred Seventy Pesos and 11/100 (P44,298,470.11) excluding other lawful fees and incidental expenses on this garnishment proceedings.

xxx (Emphasis ours)

Thus, the RTC's pronouncement that PPA was duly notified of the assessment on its "other" liabilities "because it was indicated in the first sentence of the Notice of Garnishment" is incorrect.

<sup>48</sup> *Id.* at 81.

<sup>49</sup> *Id.* at 95.

The procedure for enforcing local tax liability against a delinquent taxpayer's personal properties is set forth in Secs. 175 and 195 of the LGC, to wit:

Section 175. *Distrainment of Personal Property.* - The remedy by distraint shall proceed as follows:

(a) **Seizure - Upon failure of the person owing any local tax, fee, or charge to pay the same at the time required, the local treasurer or his deputy may, upon written notice,** seize or confiscate any personal property belonging to that person or any personal property subject to the lien in sufficient quantity to satisfy the tax, fee, or charge in question, together with any increment thereto incident to delinquency and the expenses of seizure. In such case, the local treasurer or his deputy shall issue a **duly authenticated certificate** based upon the records of his office showing the fact of delinquency and the amounts of the tax, fee, or charge and penalty due. Such certificate shall serve as sufficient warrant for the distraint of personal property aforementioned, subject to the taxpayer's right to claim exemption under the provisions of existing laws. Distrainted personal property shall be sold at public auction in the manner hereon provided for.

Section 195. *Protest of Assessment.* - When the local treasurer or his duly authorized representative finds that correct taxes, fees, or charges have not been paid, he shall issue a **notice of assessment stating the nature of the tax, fee, or charge, the amount of deficiency, the surcharges, interests and penalties.** Within sixty (60) days from the receipt of the notice of assessment, the taxpayer may file a written protest with the local treasurer contesting the assessment; otherwise, the assessment shall become final and executory. The local treasurer shall decide the protest within sixty (60) days from the time of its filing. If the local treasurer finds the protest to be wholly or partly meritorious, he shall issue a notice cancelling wholly or partially the assessment. However, if the local treasurer finds the assessment to be wholly or partly correct, he shall deny the protest wholly or partly with notice to the taxpayer. The taxpayer shall have thirty (30) days from the receipt of the denial of the protest or from the lapse of the sixty (60) day period prescribed herein within which to appeal with the court of competent jurisdiction otherwise the assessment becomes conclusive and unappealable. (Emphasis ours)

A similar provision for the process of collecting real property tax is found in Sec. 254 of the LGC, to wit:

Section 254. *Notice of Delinquency in the Payment of the Real Property Tax.* -(a) **When the real property tax or any other tax imposed under this Title becomes delinquent, the provincial, city or municipal treasurer shall immediately cause a notice of the delinquency** to be posted at the main hall and in a publicly accessible and conspicuous place in each barangay of the local government unit concerned. The notice of



delinquency shall also be published once a week for two (2) consecutive weeks, in a newspaper of general circulation in the province, city, or municipality.

(b) Such notice shall specify the date upon which the tax became delinquent and shall state that personal property may be distrained to effect payment. It shall likewise state that any time before the distraint of personal property, payment of the tax with surcharges, interests and penalties may be made in accordance with the next following Section, and unless the tax, surcharges and penalties are paid before the expiration of the year for which the tax is due except when the notice of assessment or special levy is contested administratively or judicially pursuant to the provisions of Chapter 3, Title II, Book II of this Code, the delinquent real property will be sold at public auction, and the title to the property will be vested in the purchaser, subject, however, to the right of the delinquent owner of the property or any person having legal interest therein to redeem the property within one (1) year from the date of sale.

Collection of unpaid local and real property taxes requires that the taxpayer be first notified of the basis for his liability. While the law does not require citing the provision of the ordinance involved, the notice must state the nature of the tax, fee, or charge, the amount of deficiency, surcharges, interests and penalties.<sup>50</sup>

Notifying the delinquent taxpayer before the availment of both summary processes is also a settled principle in the collection of internal revenue taxes.<sup>51</sup> The Bureau of Internal Revenue (BIR) is mandated to furnish the taxpayer with the preliminary assessment notice (PAN) in order to allow him or her to dispute the assessment, before it can resort to distraint/levy of the taxpayer's property. Failure of the BIR to comply with the notice invalidates the assessment.<sup>52</sup>

At the core of these requirements for a valid notice of assessment is due process. While the lifeblood doctrine gives the State the right to collect taxes in the most expeditious way, it is not a license to disregard the constitutional guarantee that no person shall be deprived of his/her property without due process of law. The rule is that taxes must be collected reasonably and in accordance with the prescribed procedure.<sup>53</sup>

In balancing the scales between the power of the State to tax and its

<sup>50</sup> *Yamane v. BA Lepanto Condominium Corp.*, G.R. No. 154993, 25 October 2005, 510 Phil. 750 (2005) [Per J. Tinga].

<sup>51</sup> *Commissioner of Internal Revenue v. Avon Products Manufacturing, Inc.*, G.R. Nos. 201398-99 & 201418-19, 03 October 2018 [Per J. Leonen]; *Commissioner of Internal Revenue v. Metro Star Superama, Inc.*, G.R. No. 185371, 08 December 2010, 652 Phil. 172 (2010) [Per J. Mendoza].

<sup>52</sup> *Commissioner of Internal Revenue v. Avon Products Manufacturing, Inc.*, G.R. Nos. 201418-19, 03 October 2018 [Per J. Leonen].

<sup>53</sup> *Commissioner of Internal Revenue v. Pilipinas Shell Petroleum Corp.*, G.R. Nos. 197945 & 204119, 09 July 2018 [Per J. Leonardo-De Castro].

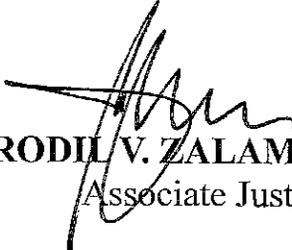
inherent right to prosecute perceived transgressors of the law on one side, and the constitutional rights of a citizen to due process of law and the equal protection of the laws on the other, the scales must tilt in favor of the individual, for a citizen's right is amply protected by the Bill of Rights under the Constitution.<sup>54</sup>

Here, petitioner's recourse to collect on PPA's other pending tax liabilities, if there be any, is to notify the latter of the facts and legal basis of the same. Petitioner cannot simply lump these liabilities with PPA's tax obligations, which have already been vetted and judicially confirmed. By garnishing funds beyond the amounts specified in G.R. Nos. 109791 and 143214, petitioner circumvented the established rule, violating PPA's right to due process. Truly, PPA was deprived of effectively protesting the supposed assessment because the notice of garnishment did not contain information on the basis of the taxes.

Hence, it was only proper that petitioner return the amounts released to it in excess of PPA's liabilities in the aforesaid cases. As found by the CA, and again undisputed by petitioner, a total amount of Php26,661,552.41 of PPA's funds were released to petitioner despite its prior payment of its liabilities under G.R. Nos. 109791 and 143214. This amount should be returned to PPA's account in the DBP.

**WHEREFORE**, the foregoing premises considered, the Court **DENIES** the petition for lack of merit. The assailed Decision dated 22 November 2016 of the CA in CA-G.R. CV No. 102578 is hereby **AFFIRMED**.

**SO ORDERED.**

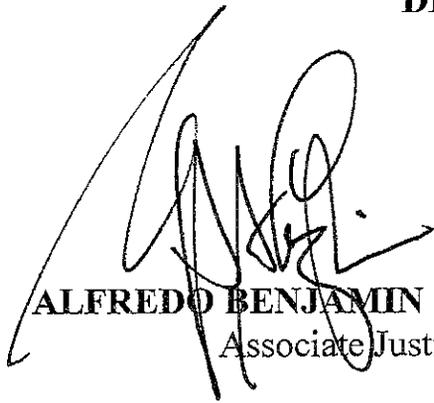
  
**RODIL V. ZALAMEDA**  
Associate Justice

<sup>54</sup> *Manila Electric Co. v. City Assessor*, G.R. No. 166102, 05 August 2015.

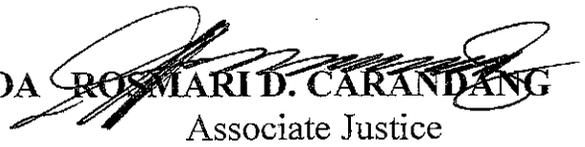
**WE CONCUR:**



**DIOSDADO M. PERALTA**  
Chief Justice



**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice



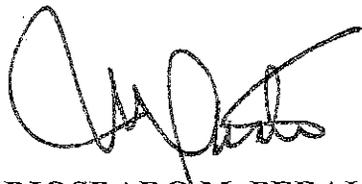
**ROSMARI D. CARANDANG**  
Associate Justice



**SAMUEL H. GAERLAN**  
Associate Justice

**CERTIFICATION**

Pursuant to the Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**DIOSDADO M. PERALTA**  
Chief Justice