

## **Commissioner of Internal Revenue vs Pineda**

**No. L-22734, September 15, 1967**

### **FACTS:**

Respondent Manuel Pineda, as one of the heirs of the deceased Atanasio Pineda, received an amount of P2500 from the estate of his deceased father as his share in the inheritance. The BIR assessed the estate with income tax deficiency and made Manuel Pineda liable for the payment of all the taxes due from the estate in the total amount of P760.28 instead of only for the amount of taxes corresponding to his share in the estate.

### **ISSUE:**

Can the Government require an heir to pay the full amount of the taxes assessed?

### **RULING:**

Yes, an heir is liable but it cannot exceed the amount of his share. He is liable for the assessment as an heir and as a holder-transferee of property belonging to the estate-taxpayer. As an heir he is individually answerable for the part of the tax proportionate to the share he received from the inheritance. As a holder of the property belonging to the estate, he is liable for the tax up to the amount of the property in his possession. The Government has a lien on such property. But after payment of such amount, he will have a right to contribution from his co-heirs.

The Government has two ways of collecting the taxes in question:

1. By going after all the heirs and collecting from each one of them the amount of the tax proportionate to the inheritance received; or
2. By subjecting said property of the estate which is in the hands of an heir or transferee to the payment of the tax due the estate.

In this case, the BIR opted for the second remedy to collect the tax as it has the discretion to avail the most expeditious way to collect the tax. Taxes are the lifeblood of the government and their prompt and certain availability is an imperious need.

Republic of the Philippines  
**SUPREME COURT**  
Manila

EN BANC

**COMMISSIONER OF INTERNAL REVENUE**, petitioner,  
vs.  
**MANUEL B. PINEDA**, as one of the heirs of deceased **ATANASIO PINEDA**, respondent.

**G.R. No. L-22734, September 15, 1967**

*Office of the Solicitor General for petitioner.  
Manuel B. Pineda for and in his own behalf as respondent.*

**BENGZON, J.P., J.:**

On May 23, 1945 Atanasio Pineda died, survived by his wife, Felicisima Bagtas, and 15 children, the eldest of whom is Manuel B. Pineda, a lawyer. Estate proceedings were had in the Court of First Instance of Manila (Case No. 71129) wherein the surviving widow was appointed administratrix. The estate was divided among and awarded to the heirs and the proceedings terminated on June 8, 1948. Manuel B. Pineda's share amounted to about P2,500.00.

After the estate proceedings were closed, the Bureau of Internal Revenue investigated the income tax liability of the estate for the years 1945, 1946, 1947 and 1948 and it found that the corresponding income tax returns were not filed. Thereupon, the representative of the Collector of Internal Revenue filed said returns for the estate on the basis of information and data obtained from the aforesaid estate proceedings and issued an assessment for the following:

1. Deficiency income tax			
1945	P135.83		
1946	436.95		
1947	1,206.91	P1,779.69	
Add: 5% surcharge		88.98	
1% monthly interest from November 30, 1953 to April 15, 1957		720.77	
Compromise for late filing		80.00	
Compromise for late payment		40.00	
Total amount due		P2,707.44	=====
2. Additional residence tax for			
1945		P14.50	=====

3. Real Estate dealer's tax for the fourth quarter of 1946 and the whole year of 1947	P207.50 =====
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Manuel B. Pineda, who received the assessment, contested the same. Subsequently, he appealed to the Court of Tax Appeals alleging that he was appealing "only that proportionate part or portion pertaining to him as one of the heirs."

After hearing the parties, the Court of Tax Appeals rendered judgment reversing the decision of the Commissioner on the ground that his right to assess and collect the tax has prescribed. The Commissioner appealed and this Court affirmed the findings of the Tax Court in respect to the assessment for income tax for the year 1947 but held that the right to assess and collect the taxes for 1945 and 1946 has not prescribed. For 1945 and 1946 the returns were filed on August 24, 1953; assessments for both taxable years were made within five years therefrom or on October 19, 1953; and the action to collect the tax was filed within five years from the latter date, on August 7, 1957. For taxable year 1947, however, the return was filed on March 1, 1948; the assessment was made on October 19, 1953, more than five years from the date the return was filed; hence, the right to assess income tax for 1947 had prescribed. Accordingly, We remanded the case to the Tax Court for further appropriate proceedings.<sup>1</sup>

In the Tax Court, the parties submitted the case for decision without additional evidence.

On November 29, 1963 the Court of Tax Appeals rendered judgment holding Manuel B. Pineda liable for the payment corresponding to his share of the following taxes:

Deficiency income tax

1945	P135.8 3
1946	436.95
Real estate dealer's fixed tax 4th quarter of 1946 and whole year of 1947	P187.50

The Commissioner of Internal Revenue has appealed to Us and has proposed to hold Manuel B. Pineda liable for the payment of all the taxes found by the Tax Court to be due from the estate in the total amount of P760.28 instead of only for the amount of taxes corresponding to his share in the estate.---

Manuel B. Pineda opposes the proposition on the ground that as an heir he is liable for unpaid income tax due the estate only up to the extent of and in proportion to any share he received. He relies on *Government of the Philippine Islands v. Pamintuan*<sup>2</sup> where We held that "after the partition of an estate, heirs and distributees are liable individually for the payment of all lawful outstanding claims against the estate in proportion to the amount or value of the property they have respectively received from the estate."

We hold that the Government can require Manuel B. Pineda to pay the full amount of the taxes assessed.

Pineda is liable for the assessment as an heir and as a holder-transferee of property belonging to the estate/taxpayer. As an heir he is individually answerable for the part of the tax proportionate to the share he received from the inheritance.<sup>3</sup> His liability, however, cannot exceed the amount of his share.<sup>4</sup>

As a holder of property belonging to the estate, Pineda is liable for the tax up to the amount of the property in his possession. The reason is that the Government has a lien on the P2,500.00 received by him from the estate as his share in the inheritance, for unpaid income taxes<sup>4a</sup> for which said estate is liable, pursuant to the last paragraph of Section 315 of the Tax Code, which we quote hereunder:

If any person, corporation, partnership, joint-account (*cuenta en participacion*), association, or insurance company liable to pay the income tax, neglects or refuses to pay the same after demand, the amount shall be a lien in favor of the Government of the Philippines from the time when the assessment was made by the Commissioner of Internal Revenue until paid with interest, penalties, and costs that may accrue in addition thereto upon all property and rights to property belonging to the taxpayer: . . .

By virtue of such lien, the Government has the right to subject the property in Pineda's possession, i.e., the P2,500.00, to satisfy the income tax assessment in the sum of P760.28. After such payment, Pineda will have a right of contribution from his co-heirs,<sup>5</sup> to achieve an adjustment of the proper share of each heir in the distributable estate.

All told, the Government has two ways of collecting the tax in question. One, by going after all the heirs and collecting from each one of them the amount of the tax proportionate to the inheritance received. This remedy was adopted in *Government of the Philippine Islands v. Pamintuan, supra*. In said case, the Government filed an action against all the heirs for the collection of the tax. This action rests on the concept that hereditary property consists only of that part which remains after the settlement of all lawful claims against the estate, for the settlement of which the entire estate is first liable.<sup>6</sup> The reason why in case suit is filed against all the heirs the tax due from the estate is levied proportionately against them is to achieve thereby two results: first, payment of the tax; and second, adjustment of the shares of each heir in the distributed estate as *lessened by the tax*.

Another remedy, pursuant to the lien created by Section 315 of the Tax Code upon all property and rights to property belonging to the taxpayer for unpaid income tax, is by subjecting said property of the estate which is in the hands of an heir or transferee to the payment of the tax due, the estate. This second remedy is the very avenue the Government took in this case to collect the tax. The Bureau of Internal Revenue should be given, in instances like the case at bar, the necessary discretion to avail itself of the most expeditious way to collect the tax as may be envisioned in the particular provision of the Tax Code above quoted, because taxes are the lifeblood of government and their prompt and certain availability is an imperious need.<sup>7</sup> And as afore-stated in this case the suit seeks to achieve only one objective: payment of the tax. The adjustment of the respective shares due to the heirs from the inheritance, as lessened by the tax, is left to await the suit for contribution by the heir from whom the Government recovered said tax.

WHEREFORE, the decision appealed from is modified. Manuel B. Pineda is hereby ordered to pay to the Commissioner of Internal Revenue the sum of P760.28 as deficiency income tax for 1945 and 1946, and real estate dealer's fixed tax for the fourth quarter of 1946 and for the whole year 1947, without prejudice to his right of contribution for his co-heirs. No costs. So ordered.

*Concepcion, C.J., Reyes, J.B.L., Dizon, Makalintal, Zaldivar, Sanchez, Castro, Angeles and Fernando, JJ., concur.*

## Footnotes

<sup>1</sup>Collector of Internal Revenue v. Manuel B. Pineda as one of the heirs of the deceased Atanasio Pineda, L-14522, May 31, 1961.

<sup>2</sup>55 Phil. 13.

<sup>3</sup>Government of the Philippine Islands v. Santos, 56 Phil. 827.

<sup>4</sup>Art. 1311, Civil Code of the Philippines.

<sup>4a</sup>Real estate dealer's fixed tax is subject to the same lien pursuant to the first paragraph of Sec. 355, Tax Code.

<sup>5</sup>Government of the Philippine Islands v. Santos, G.R. No. 34152, Dec. 15, 1931, 56 Phil. 827.

<sup>6</sup>Lopez v. Enriquez, 16 Phil. 336.

<sup>7</sup>Bull v. United States, 295 U.S. 247, 15 AFTR 1069, 1073.