Defining Falsity of False Returns

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55 ATENEO L.J. 354 (2010)

SUBJECT(S): *TAXATION*
KEYWORD(S): *TAX RETURN, TAX EVASION, TAX PENALTY*

The Article aims to answer the question of what constitutes a "false return" as filed by a taxpayer. It discusses this concept by looking into selected Court of Tax Appeals, Court of Appeals and Supreme Court decisions which defines a false return in relation to two punitive provisions of the Tax Code: first, the extension of the period of prescription within which the Bureau of Internal Revenue can collect from the taxpayer from three to 10 years, and second, the imposition of a 50% surcharge on the taxes paid.

The Article summarizes the criteria laid down in jurisprudence in determining when the longer 10-year prescriptive period will be relevant. This period applies when a taxpayer files a tax return with the deliberate intent to evade taxes, or whenever the government is placed at a disadvantage so as to prevent its lawful agents from properly assessing tax liabilities. Otherwise, as when the falsity is obvious on the face of the return, or when there are public records accessible to the tax agents, or when a false tax return is filed by mistake instead of fraudulent intent, the normal prescriptive period must be imposed. In addition, the filing of a false return willfully made warrants the imposition of the surcharge of 50%.

The Article concludes by emphasizing that the careful application of these penalty measures is important to safeguard the rights of the individual against the otherwise limitless taxing power of the government.