Title: Mayon Motors, Inc. v. Acting Commissioner of Internal Revenue [GR L-12545, July 30, 1960]

Facts: Mayon Motors, Inc., importer of automobiles, brought several shipments into the Philippines, paying advance sales tax as required by law. The shipments included two Pontiac automobiles that arrived in Manila on the steamship “Ajax” with a landed cost of P4,696.50 each, where Mayon Motors paid an advance sales tax in October 1951. The second shipment consisted of eleven Pontiac automobiles arriving on the steamer “Tungus” with a landed cost of P4,870.76 each, and an advance sales tax was paid in March 1952. A third shipment involved four Pontiac automobiles on the steamer “Steel Admiral,” each with a landed cost of P5,060.60, and an advance sales tax was paid in September 1953. The Acting Commissioner of Internal Revenue assessed a deficiency advance sales tax against Mayon Motors for the seventeen automobiles, demanding payment in April 1956. Mayon Motors sought reconsideration, which was denied, leading to an appeal to the Court of Tax Appeals. The court modified the respondent’s decision, requiring Mayon Motors to pay an adjusted amount, and denied its claim for a refund.

Issues: The main legal issue hinges on the interpretation of sections 183(B), 184, and 185 of the National Internal Revenue Code concerning the computation of advance sales tax on the imported automobiles.

Court’s Decision: The Supreme Court upheld the decision of the Court of Tax Appeals, affirming the procedure for determining the applicable mark-up for the advance sales tax based on the interpretation of the pertinent sections of the National Internal Revenue Code. They concurred with the Tax Court in that to determine whether an automobile falls under section 184 or 185, one must first add a 50% markup to its landed cost and, if the resultant value exceeds P5,000.00, then a 100% markup should be applied under Section 183(B) for the purposes of sales tax.

Doctrine: The decision established the doctrine that in computing the sales tax on imported articles, the landed cost of the article should be theoretically established inclusive of a “markup” (100%, 50%, or 25%, depending on the applicable section of the Tax Code) to represent the selling price. Hence, only after theoretical determination can the corresponding markup be added, consistent with the section in which the article is enumerated.

Class Notes:

1. Key Elements:
– "Landed cost": Import invoice value plus freight, postage, insurance, commission, customs duty, and all similar charges.
– "Markup": An addition to the landed cost representing the increased value of 100%, 50%, or 25%, as provided under sections 184, 185, and 186 of the Tax Code, determining the sales tax rate.
– Application of Markup: To determine the sales tax, first assume a 50% markup to see if the total exceeds P5,000. If it does, apply a 100% markup. This reflects the theoretical selling price of the imported car.

2. Historical Background: The decision elucidates on the evolution of Philippine tax law as it developed from just imposing tax upon actual sales to pre-assessment and payment of tax prior to the release of goods, emphasizing the finality of advance sales tax with the enactment of Republic Act No. 594.

In summary, this case demonstrates the method of determining the classification of imported articles for the purpose of assessing sales taxes and the finality of such taxes when paid in advance. The Supreme Court provides clarity in the interpretation of the relevant tax code provisions, ensuring that the classification is accurately determined by considering the theoretical selling price of an imported article.