

Title:

Commissioner of Internal Revenue and Fair Trade Board v. Hon. Serafin R. Cuevas, et al.

Facts:

Private respondents, various filled milk manufacturers in the Philippines operating under respective brand names—Darigold, Liberty, and Dutch Baby—and their association, the Institute of Evaporated Filled Milk Manufacturers of the Philippines, challenged the enforcement of Section 169 of the Tax Code, which required clear marking on milk products not suitable for infants below one year of age.

The Commissioner of Internal Revenue ordered the respondents to comply with the said provision, threatening legal action for non-compliance. In response, the manufacturers filed Civil Case No. 52276 seeking declaratory relief and preliminary injunction. The injunction was granted, restraining enforcement against the respondents' products. Additionally, a Special Civil Action No. 52383 was filed by the respondents to stop the Fair Trade Board from proceeding with an investigation regarding false advertising and mislabeling claims against the respondents.

Both cases were heard jointly due to their interrelated nature. Ultimately, the respondent judge ruled in favor of the manufacturers, perpetually restraining enforcement of Section 169 against them and deeming the proceedings of the Fair Trade Board null.

The petitioners—the Commissioner of Internal Revenue and the Fair Trade Board—filed a petition for certiorari with the Supreme Court, challenging the lower court's decision.

Issues:

1. Whether Section 169 of the Tax Code has been repealed by implication due to the repeal of other associated sections of the Tax Code.
2. Whether the Commissioner of Internal Revenue retains authority to enforce Section 169 despite its lack of a direct tax purpose, as Section 169 seems to promote public health, a function usually within the purview of health authorities.
3. Whether it is within the jurisdiction of the Fair Trade Board to investigate and prosecute alleged mislabeling and misleading advertisements of the respondents' filled milk products.

Court's Decision:

The Supreme Court agreed with the lower court and rejected the petitioners' claims. They held that Section 169 had indeed been implicitly repealed because its tax-related sections (141 and 177 of the Tax Code) had been explicitly repealed, thus removing its tax purpose

and any penal enforcement mechanism. Furthermore, the term “skimmed milk” in Section 169 did not pertain to the respondents’ “filled milk” products.

Also, enforcing Section 169 only on the respondents and not on other similar products would constitute discrimination and lack of equal protection under the law. With the repeal of the associated tax provisions and lacking an enforcement mechanism or tax purpose, the Commissioner of Internal Revenue no longer had jurisdiction to enforce Section 169.

In addition to this, the jurisdiction to govern aspects related to public health lies with the Food and Drug Administration and Health authorities as specified in Republic Act No. 3720. Therefore, the Fair Trade Board similarly lacked jurisdiction to prosecute the alleged food laws violations related to filled milk products.

The Supreme Court affirmed the decision of the lower court and upheld the ruling, thereby perpetually restraining the petitioners from enforcing Section 169 against the respondents.

#### Doctrine:

Implicit repeal may occur when a later law covers the whole subject of an earlier one, and is inconsistent with it. Furthermore, the principle of equal protection under the law prohibits discriminatory enforcement of similar rules against particular parties while excluding others.

#### Class Notes:

- In tax law, provisions without a tax purpose or penal sanction are unenforceable by tax authorities.
- Non-tax authorities lack jurisdiction over tax-specific codes unless they relate to the authorities’ general purpose (e.g., public health for Food and Drug Administration).
- The principle of *ejusdem generis* limits the application of general and unlimited terms by the specific terms that follow them.
- When a law is repealed and its enforcement mechanism removed, authorities cannot enforce the standalone provisions without said mechanisms or purposes.
- Government officials with expertise in particular areas of administrative law hold significant respect and weight in the interpretation and application of those laws.
- Equal protection under the law ensures individuals or entities similarly situated are treated equally by the law.

#### Historical Background:

The case contextually operates within a period where the Philippines was reassessing its

regulatory frameworks relating to health, taxes, and consumer protection. The judgment reflects a shift from tax-centric enforcement by the Bureau of Internal Revenue to sector-specific oversight, recognizing the more specialized roles of government bodies such as the Food and Drug Administration. This Supreme Court decision serves as a precedent that reinforces the separation of authority among various regulatory bodies and underscores the importance of non-discriminatory and consistent application of laws to all entities.