

**\*\*Title:\*\***

Collector of Internal Revenue v. Antonio Campos Rueda

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**\*\*Facts:\*\***

The Collector of Internal Revenue (CIR) contested the decision of the Court of Tax Appeals (CTA) in favor of Antonio Campos Rueda, the administrator of the estate of the late Estrella Soriano Vda. de Cerdeira, a Spanish national and resident of Tangier, Morocco from 1931 until her death in 1955. She had left behind intangible personal properties situated in the Philippines. The CIR sought to tax the transfer of these properties, claiming the total deficiency estate and inheritance taxes amounting to P161,874.95.

Rueda filed a provisional estate and inheritance tax return in 1955 and paid the assessed amounts. An amended return was later filed claiming exemption for intangible personal properties. The CIR, however, initially denied the claim of exemption based on the alleged lack of tax reciprocity between the Philippines and Tangier and subsequently due to Tangier not being considered a “foreign country” under Section 122 of the National Internal Revenue Code because of not having an international personality.

The CTA eventually ruled in favor of Rueda, which led the CIR to elevate the case to the Supreme Court. The Supreme Court, on May 30, 1962, remanded the case to the CTA to further investigate the element of reciprocity. The CTA admitted evidence demonstrating that Tangier did not impose death taxes on properties of non-residents, thus exhibiting reciprocity. The respondent did not present opposing evidence.

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**\*\*Issues:\*\***

1. Does the term “foreign country” in Section 122 of the National Internal Revenue Code necessitate that the country possesses international personality for the tax exemption to apply?
  2. Is Tangier considered a “foreign country” under Section 122 of the National Internal Revenue Code?
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**\*\*Court's Decision:\*\***

The Supreme Court affirmed the CTA's decision. The Court concluded that "foreign country," as used in Section 122 of the Tax Code, refers to a government that, despite lacking international personality in the sense of international law, does not impose transfer or death taxes on intangible personal properties of Philippine citizens not residing therein, or whose laws provide similar exemptions. The Court emphasized precedents such as *Collector of Internal Revenue v. De Lara* and *Kiene v. Collector of Internal Revenue*, which established that entities such as the State of California and the Principality of Liechtenstein, despite not possessing international personalities, were recognized as "foreign countries" for tax exemption purposes under Section 122.

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**\*\*Doctrine:\*\***

The Philippine Supreme Court established that for the purposes of tax exemptions under Section 122 of the National Internal Revenue Code, the term "foreign country" does not require the entity to have an international personality. The main consideration is the reciprocity of the entity in not imposing transfer or death taxes on intangible personal properties of Philippine citizens who do not reside therein.

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**\*\*Class Notes:\*\***

- "Foreign Country" under Section 122 of the National Internal Revenue Code is interpreted not to necessitate international personality.
  - Tax reciprocity is crucial: If the foreign entity does not tax Philippine citizens' intangible personal properties, then the Philippines will reciprocate.
  - Precedents include *Collector of Internal Revenue v. De Lara* and *Kiene v. Collector of Internal Revenue*.
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**\*\*Historical Background:\*\***

At the time when this case unfolded, the definition and concept of a "foreign country" in Philippine tax laws were still evolving. The decision in *Collector of Internal Revenue v.*

Antonio Campos Rueda helped clarify the interpretation of Section 122 of the National Internal Revenue Code—particularly around exemptions from inheritance taxes for intangible personal properties belonging to a non-resident foreign national. This case arose during a period where the nuances of tax law involving foreign entities and states were under constant development and refinement both in local jurisprudence and in the context of international relations.