

Title: Rev. Fr. Casimiro Lladoc vs. The Commissioner of Internal Revenue and The Court of Tax Appeals

Facts:

In 1957, M.B. Estate, Inc. of Bacolod City made a monetary donation of P10,000 to Rev. Fr. Crispin Ruiz, the parish priest of Victorias, Negros Occidental at that time, for the purpose of constructing a new Catholic church. The amount was fully utilized for the intended purpose. Subsequently, the donor filed the appropriate gift tax return on March 3, 1958.

On April 29, 1960, the Commissioner of Internal Revenue issued an assessment of donee's gift tax against the Catholic Parish of Victorias, now with Rev. Fr. Casimiro Lladoc as the parish priest. The tax amounted to P1,370 inclusive of surcharges and interests. Rev. Fr. Lladoc filed a protest and motion for reconsideration, both of which were denied by the Commissioner.

Rev. Fr. Lladoc appealed to the Court of Tax Appeals (CTA) on November 2, 1960, arguing that he should not be liable for the gift tax because the Catholic Parish Priest of Victorias was neither a legal entity nor a juridical person, and he wasn't the parish priest at the time of the donation. He contended that taxing the Roman Catholic Church would violate the Constitution.

The CTA denied the appeal and maintained the Commissioner's decision to impose the gift tax, except for the compromise penalty. It concurred that the Catholic parish priests, under canon law, had administrative duties over church properties and could be liable for taxes unrelated to property taxation, such as excise taxes on privilege. Rev. Fr. Lladoc then appealed to the Supreme Court.

Issues:

1. Whether the donated funds used for the construction of a Catholic Church were subject to donee's gift tax.
2. Whether Rev. Fr. Casimiro Lladoc should be personally liable for the donee's gift tax.

Court's Decision:

The Supreme Court affirmed the tax liability but clarified that Rev. Fr. Lladoc was not personally responsible for the tax. Instead, the liability for payment should fall upon the Head of the Diocese to which the parish belonged, as it was the real party in interest.

The Court asserted that the constitutional exemption of church properties from taxation did

not extend to excise taxes such as the donee's gift tax. It emphasized that tax exemptions are narrowly construed and require a clear, positive, or express legal grant, which was absent in this case. It also distinguished between property taxes, which are imposed on ownership, and excise taxes, which are levied on the privilege of receiving property or using it.

Doctrine:

The Court held that taxes assessed on church property for secular purposes are not within the constitutional exemption of Section 22(3), Article VI, which exempts from taxation cemeteries, churches, and parsonages or convents appurtenant thereto, and all lands, buildings, and improvements used exclusively for religious purposes. The Court also reiterated that exemptions from tax must be clearly and expressly granted by law.

Class Notes:

- Gift tax is an excise tax imposed on the transfer of property by way of gift inter vivos and not a property tax.
- A constitutional tax exemption applies to property taxes and not to excise taxes like gift taxes.
- Tax exemptions must be clearly, positively, or expressly granted by law.
- Liability for tax does not attach personally to the individual in charge of a parish at a moment in time but to the ecclesiastical authority overseeing the parish.

Historical Background:

The case exemplifies the Philippine Supreme Court's interpretation of tax exemptions within the context of religious institutions. It stresses the differentiation between property and excise taxes concerning church-related entities and emphasizes the need for explicit statutory provisions when claiming exemptions from taxation. It highlights the principle that religious organizations are not wholly exempt from all forms of taxation under Philippine law, particularly in instances where the tax is levied on the transfer of property or the exercise of privileges, rather than the ownership of the property itself.