

Title: Maceda v. Macaraig, Jr. et al.

Facts:

The case involves the National Power Corporation's (NPC) exemption from indirect taxes and duties on petroleum products used in its operation. NPC, created by Commonwealth Act No. 120 on November 3, 1936, had been granted tax and duty exemption privileges under various laws, culminating in Presidential Decree No. 938 which exempted NPC from all forms of taxes. However, Presidential Decree No. 1931 withdrew all tax exemption privileges of government-owned or controlled corporations, though it allowed the restoration of such exemptions by the President or the Minister of Finance upon the Fiscal Incentives Review Board's (FIRB) recommendation.

Despite this, FIRB issued resolutions (No. 10-85 and No. 1-86) restoring NPC's tax and duty exemption privileges for specific periods. This restoration led to conflicting BIR rulings regarding NPC's liability for indirect taxes, particularly on petroleum products. While initial rulings favored NPC's exemption, subsequent ones restricted the exemption to taxes for which NPC was directly liable. FIRB Resolution No. 17-87, confirmed by the Executive Secretary, eventually restored NPC's comprehensive tax exemption privileges effective March 10, 1987.

Against this backdrop, Ernesto Maceda filed a petition challenging the restoration of NPC's exemptions and seeking a refund of taxes paid by oil firms on petroleum products delivered to NPC. The Senate Committee on Accountability of Public Officers also investigated the matter, recommending the cancellation of tax refunds and credits previously granted to NPC.

Issues:

1. Whether NPC's indirect tax and duty exemption privileges were lawfully restored by FIRB resolutions under PD Nos. 1931 and Executive Order No. 93.
2. The legality and validity of FIRB Resolution No. 17-87 and its capacity to include NPC's exemption from indirect taxes on petroleum products.
3. The applicability of the rule of strict interpretation against NPC concerning its claim for tax exemption on indirect taxes.

Court's Decision:

The Supreme Court dismissed the petition, emphasizing the rationale behind NPC's comprehensive tax exemptions, including indirect taxes on petroleum products. It

established that NPC's exemptions were validly restored by FIRB under the authority of PD Nos. 1931 and Executive Order No. 93. The Court also clarified that FIRB Resolution No. 17-87 was legally issued and effectively restored NPC's comprehensive tax exemptions. Furthermore, the Court adopted a liberal interpretation of NPC's tax exemptions, countering the traditional rule of strict interpretation against tax exemptions.

Doctrine:

The Court reiterated the principle that exemptions granted to government instrumentalities or agencies, like NPC, should be construed liberally in favor of non-tax liability. This underscores the policy of supporting essential government functions by minimizing their tax burden.

Class Notes:

- Tax Exemptions for Government Instrumentalities: Tax exemptions granted to government agencies or instrumentalities are to be liberally interpreted in favor of the entity's non-tax liability.
- FIRB's Authority on Tax Exemptions: The Fiscal Incentives Review Board, under the appropriate legal framework, can restore tax and duty exemptions previously withdrawn from government-owned or controlled corporations.
- Liberal Interpretation of Tax Statutes Favoring Government Agencies: Contrary to the principle of strict interpretation against tax exemptions, exemptions involving government entities are construed liberally to support their operation and the public interest.
- PD Nos. 1931 and Executive Order No. 93 as Legal Bases for Restoring Tax Exemptions: These legal issuances provide a mechanism for the restoration of tax and duty exemption privileges previously withdrawn, emphasizing the executive's role in tax exemption administration.

Historical Background:

The case reflects the legal complexities and policy considerations surrounding the tax exemption privileges of a crucial government corporation, the National Power Corporation (NPC). It highlights the government's efforts to ensure NPC's operational efficiency and financial autonomy through tax exemptions, amidst changing legal frameworks and interpretations.