

Title: San Pablo Manufacturing Corporation vs. Commissioner of Internal Revenue

Facts:

San Pablo Manufacturing Corporation (SPMC), a domestic corporation engaged in milling, manufacturing, and exporting coconut oil and other products, was assessed by the Commissioner of Internal Revenue to pay P8,182,182.85 for deficiency miller's tax and manufacturer's sales tax for the taxable year 1987. The miller's tax was for sales of crude oil to United Coconut Chemicals, Inc. (UNICHEM), while the sales tax was for SPMC's sales of corn and edible oil.

SPMC opposed the assessments. However, the Commissioner denied their protest, leading SPMC to appeal to the Court of Tax Appeals (CTA) via a petition for review (CTA Case No. 5423). The CTA, in its March 10, 2000 decision, canceled SPMC's liability for deficiency manufacturer's tax on sales of corn and edible oils but upheld the miller's tax assessment. Despite SPMC's motion for partial reconsideration on the miller's tax, it was denied.

SPMC then filed a petition for review with the Court of Appeals concerning the upholding of the deficiency miller's tax assessment. The appellate court, however, dismissed the petition primarily due to verification attached to it being signed merely by SPMC's chief financial officer without proper authority documentation. SPMC's motion for reconsideration was also denied, leading to this petition for review under Rule 45 of the Rules of Court.

Issues:

1. Whether the Court of Appeals erred in dismissing SPMC's appeal on the basis of improper verification.
2. Whether SPMC should be exempt from the 3% miller's tax for the crude oil sold to UNICHEM, which was subsequently exported.

Court's Decision:

The Supreme Court denied the petition, holding that the Court of Appeals correctly dismissed SPMC's petition. The decision emphasized that appeals from the CTA to the Court of Appeals require proper verification and a sworn certification against forum shopping. The lack of authorization for the person who signed the verification/certification was a valid ground for dismissal.

Furthermore, the Court addressed the substantive issue regarding the miller's tax. It interpreted Section 168 of the 1987 Tax Code narrowly, stating that the tax exemption only applied to exportation by the proprietor or operator of the factory or mill itself and did not

extend to exports by purchasers like UNICHEM. SPMC's claim of exemption from the miller's tax was not meritorious as their situation did not fall within the exemption's ambit.

Doctrine:

This case reaffirms the principle that tax exemptions must be construed strictly in favor of the taxing authority and against the taxpayer. The Court also reiterated the rule on procedural requirements, emphasizing the necessity of proper verification and certification against forum shopping in appellate procedures, highlighting that the corporate acts must be authorized explicitly by the corporation's board of directors or bylaws.

Class Notes:

- **Verification and Certification Requirement:** Pleadings for appellate review must be properly verified and include a sworn certification against forum shopping, signed by individuals expressly authorized by the corporation's governing body.
- **Tax Exemption Interpretation:** Tax exemptions are interpreted strictly in favor of the taxing authority and against the claimant. Specifically, the exemption under Section 168 of the 1987 Tax Code applies only to exports made directly by the miller or factory proprietor.
- **Authority to Represent Corporation:** Corporate actions require explicit authorization, typically through corporate bylaws or resolutions from the board of directors. Absence of a person's authority to act on behalf of the corporation can lead to the dismissal of pleadings due to improper verification.

Historical Background:

The decision underscores the importance of adherence to procedural formalities in judicial appeals within the Philippine legal system, particularly in tax litigation. It also highlights the specific interpretations of tax laws and exemptions in the context of the Philippines' broader tax regime, emphasizing the cautious approach taken by the judiciary in granting exemptions from tax assessments.