

### Title: Bureau of Customs v. Bush Boake Allen (Phils.), Inc.

### Facts:

The Bureau of Customs initiated a legal battle against Bush Boake Allen (Phils.), Inc. arising from the latter's use of a Tax Credit Certificate (TCC) for payment of customs duties and taxes. Bush Boake Allen, a manufacturer and importer/exporter of chemical fragrances and flavors, was assessed customs duties and taxes of P2,462,650.00 by the Bureau of Customs. On April 11, 1996, Bush Boake Allen was assigned TCC No. 004334 by Filipino Way Industries, Inc., originally issued by the One Stop Shop Tax Credit and Duty Drawback Center of the Department of Finance purportedly as a refund for taxes/duties paid on raw materials. Bush Boake Allen used this TCC to settle its customs duties and tax liabilities. However, it was later discovered through a post-audit that TCC No. 004334 was fraudulently issued, leading to its cancellation on September 26, 2001.

Upon refusal of Bush Boake Allen to re-pay the assessed amount following the TCC cancellation, the Bureau of Customs filed a Collection of Sum of Money with damages before the Regional Trial Court of Manila. Bush Boake Allen argued that it was a transferee in good faith and for value. The Regional Trial Court ruled in favor of the Bureau of Customs, a decision that Bush Boake Allen appealed to the Court of Appeals. The Court of Appeals reversed the trial court's decision, establishing Bush Boake Allen as a transferee in good faith and for value, hence not liable for re-payment of the customs duties.

### Issues:

1. Whether the acceptance of a worthless tax credit certificate by the petitioner (Bureau of Customs) in payment of respondent's (Bush Boake Allen) customs duties produced a valid payment that extinguished the respondent's obligations.
2. Whether the respondent is considered a transferee in good faith and for value, thus not liable for the fraud committed in the procurement of TCC No. 004334.
3. Respondent's liability to pay again the customs duties and taxes covered by the cancelled TCC No. 004334.

### Court's Decision:

The Supreme Court granted the petition by the Bureau of Customs, annulling and setting aside the decision and resolution of the Court of Appeals for lack of jurisdiction. It reinstated the Regional Trial Court's decision, thereby obligating Bush Boake Allen to pay the Bureau of Customs the amount of P2,464,650.00 with 6% interest from the filing of the complaint. The Supreme Court clarified that under Republic Act No. 9282, the appeal in tax

collection cases such as this should have been directed to the Court of Tax Appeals, not the Court of Appeals.

**### Doctrine:**

- Appeals from the decision of the Regional Trial Court in tax collection cases fall within the exclusive appellate jurisdiction of the Court of Tax Appeals under Republic Act No. 9282.
- A wrongful appeal to the Court of Appeals in such cases does not suspend the 30-day period for appeal, rendering the decision of the Regional Trial Court final and executory if not appealed within the proper jurisdiction and time frame.

**### Class Notes:**

- Jurisdiction of Tax Collection Cases: The exclusive appellate jurisdiction over appeals from the decisions of the Regional Trial Court in tax collection cases lies with the Court of Tax Appeals, as amended by Republic Act No. 9282.
- Validity of Payments via Tax Credit Certificates: A Tax Credit Certificate's acceptance as payment is based upon the legitimacy of its issuance and the transferee's good faith and value of transfer, which are scrutinized in cases of fraud or cancellation.
- Principles on Good Faith Transference: A transferee in good faith for value of a Tax Credit Certificate may not be liable for the tax liabilities covered by the certificate if it is later found to be invalid, subject to certain conditions and proofs of good faith.

**### Historical Background:**

This decision underscores the refinement in the jurisdictional scope of tax-related appeals in the Philippines, emphasizing the role of the Court of Tax Appeals as designated by Republic Act No. 9282. The case also illustrates the complexities involved in the use of Tax Credit Certificates, touching upon issues of good faith, value of transfer, and the overarching principle of finality in tax obligations.