

Title:

Benito Garcia vs. The Collector of Internal Revenue, 66 Phil. 441 (1938)

Facts:

- **Incident**: Benito Garcia removed 616 liters of alcohol from the distillery of Jose B. Suntay to transport it to a distant store.
- **Legal Violation**: He did this without having paid the corresponding specific tax required by law.
- **Criminal Case**: Garcia was prosecuted in criminal case No. 5922 for violating section 2727 of the Revised Administrative Code and was fined. The court did not address the matter of the specific tax during this criminal proceeding.
- **Tax Payment Under Protest**: Subsequently, the Collector of Internal Revenue demanded Garcia to pay P204.08 as the specific tax. Garcia paid this tax under protest and filed a complaint to recover the amount.
- **Trial Court Decision**: The trial court ruled in favor of Garcia, ordering the Collector to refund the P204.08. The trial court reasoned that Garcia, being a mere employee of the distiller, was not responsible for the tax and that the alcohol's confiscation compensated for the tax amount.

Issues:

1. Whether the Government had already made a claim for the specific tax in the criminal case, and hence, if the non-mentioning of the tax in the judgment constituted a waiver.
2. Whether Garcia, as an employee and possessor of the alcohol, could be held liable for the specific tax instead of the manufacturer, Jose B. Suntay.
3. Whether the confiscation of the alcohol in the criminal case effectively precluded the Government from later demanding the specific tax.
4. Whether the consumer ultimately bears the tax, impacting the tax liabilities before any sale.

Court's Decision:

1. **Government's Claim for Specific Tax**: The Supreme Court held that the Government did not seek the specific tax in the criminal case, which solely aimed to penalize the violation of section 2727 of the Revised Administrative Code. Thus, the Government's right to claim the tax independently of the criminal action remained intact.
2. **Liability for Specific Tax**: The Revised Administrative Code section 1479 states that the specific tax is payable by the manufacturer, producer, owner, or person in possession of

the goods. Since Garcia had possession of the alcohol during its illegal transfer, he was indeed liable for the tax. The Supreme Court found the trial court's interpretation—limiting tax liability solely to the manufacturer—incorrect.

3. **Confiscation versus Tax Payment**: Confiscation under the Revised Penal Code (as an accessory penalty) is separate from the obligation to pay taxes. The Supreme Court clarified that confiscation of goods does not equate to the payment of specific taxes due upon them.

4. **Tax Payment Rule**: The law mandates immediate tax payment before removing goods from the place of production, not before their sale. Thus, even though Garcia did not sell the alcohol, his action of transferring it without paying the tax implicated him in tax liability.

Doctrine:

- **Reaffirmation of Law Interpretation**: Section 1479 of the Revised Administrative Code was interpreted to clarify that the tax liability extends to whomever has possession of the taxable goods.

- **Separation of Criminal Penalties and Tax Obligations**: The decision distinguished between penal consequences (confiscation) and tax obligations, emphasizing their separate legal paths.

Class Notes:

- **Key Legal Concept**: Specific tax obligations extend to individuals in possession of taxable goods, not just manufacturers.

- **Distinction Between Penalties**: Confiscation as a penalty does not substitute for tax payment. Taxes are due upon the act of removal from the production site, regardless of subsequent sale or market transfer.

- **Relevant Statute**: Section 1479 of the Revised Administrative Code - "The specific taxes on domestic products shall be paid by the manufacturer, producer, owner or person having possession of the same."

Historical Background:

This case occurred during the American colonial period in the Philippines, a time when the legal system was heavily influenced by Spanish and American laws. The regulatory environment during this era was strict regarding revenue collection from alcohol and other excisable goods, aiming to curb illegal production and distribution while ensuring tax revenues for government expenditure. This decision underscores the colonial administration's rigid enforcement of tax laws, even delineating the boundary between

criminal liabilities and tax obligations.