

Title:

Hijo Plantation, Inc., et al. vs. Central Bank of the Philippines

Facts:

****Formation and Business Activities of Petitioners:****

Hijo Plantation, Inc., Davao Fruits Corporation, and Twin Rivers Plantation, Inc., along with other domestic corporations, are collectively petitioners engaged in growing and exporting bananas in Mindanao. Over the first nine months of 1971, their banana exports exceeded the aggregate Free on Board (F.O.B.) annual value of five million United States dollars, meeting the threshold for the stabilization tax under Republic Act No. 6125.

****Promulgation of the Stabilization Tax:****

Due to difficulties in determining the exchange rate of the peso against the dollar and the impact of Central Bank Circular No. 289, Congress enacted Republic Act No. 6125 on May 1, 1970. The Act aimed to impose a stabilization tax to stabilize the peso and eliminate the need for Circular No. 289. The tax rates were set to vary for different periods:

1. Logs, copra, centrifugal sugar, and copper ore (10% from May 1, 1970, to June 30, 1971; 8% from July 1, 1971, to June 30, 1972; etc.).
2. Molasses, coconut oil, and other products (8% from May 1, 1970, to June 30, 1971; 6% from July 1, 1971, to June 30, 1972; etc.).

****Central Bank Resolution:****

Given the total banana export value of P8,949,000.00 for 1971, the banana industry confronted ambiguity about when the tax became applicable and under which schedule.

****Central Bank's Response:****

On November 5, 1971, petitioners requested clarification from the Central Bank concerning the tax's applicability. The Central Bank, in response, issued Monetary Board Resolution No. 1995 on December 3, 1971. According to the resolution:

1. Bananas shipped from January 1, 1972, to June 30, 1972, would incur a tax of 6%.
2. Bananas shipped from July 1, 1972, to June 30, 1973, would incur a tax of 4%.
3. Bananas shipped from July 1, 1973, to June 30, 1974, would incur a tax of 2%.

Petitioners objected, viewing the resolution as contrary to legislative intent. They sought reconsideration on December 27, 1971, but the request was denied on January 20, 1972. Subsequently, petitioners paid the tax under protest and filed this petition challenging the resolution.

Issues:

1. Did the Central Bank overstep its authority by implementing Monetary Board Resolution No. 1995?
2. Was the stabilization tax retroactively applied to banana exports from January 1, 1972?

Court's Decision:

****First Issue - Authority:****

The Court observed that while section 6 of Republic Act No. 6125 authorized the Central Bank to promulgate rules and regulations, those rules must align with and not contradict the Act. In this context, section 1 of the Act stipulated that the stabilization tax should only apply in the fiscal year following the calendar year in which the aggregate value of exports reached five million dollars.

****Second Issue - Retroactive Application:****

The Court agreed with the petitioners that the tax should only start applying from July 1, 1972, based on legislative intent—prospective application after crossing the specified value threshold.

****Ruling:****

The Supreme Court found that the Central Bank's implementation via Monetary Board Resolution No. 1995, which imposed a 6% tax from January 1, 1972, was beyond its authority and misaligned with the legislative provision of R.A. 6125. Consequently, they declared it null and void, granted the petition, and prohibited the collection of the stabilization taxes on exports made from January 1, 1972, to June 30, 1982.

Doctrine:

Administrative regulations must align with legislative intent and cannot extend beyond the scope of the enabling statute. Specifically, the implementation of the stabilization tax should commence in the fiscal year following the calendar year wherein the aggregate export value exceeds the threshold set by Republic Act No. 6125.

Class Notes:

- ****Republic Act No. 6125:**** Stabilization tax applies starting the fiscal year after aggregate annual F.O.B. value exceeds five million USD.
- ****Administrative Law:**** Central Bank's authority to issue regulations is confined by the enabling statute.
- ****Judicial Review:**** Courts can invalidate administrative actions exceeding granted

legislative authority.

Historical Background:

The case arose from macroeconomic instability during the early 1970s, with the Philippine government seeking to stabilize the peso through currency and export controls, leading to legislative and administrative tensions.