

****Title**:** Colgate-Palmolive Philippines, Inc. vs. Hon. Pedro M. Gimenez as Auditor General and Ismael Mathay as Auditor of the Central Bank of the Philippines

****Facts**:**

- Colgate-Palmolive Philippines, Inc. (the petitioner) imported materials such as irish moss extract, sodium benzoate, sodium saccharinate, precipitated calcium carbonate, and dicalcium phosphate for stabilizers and flavoring of its dental cream.
- Petitioner paid the special excise tax on foreign exchange for these imports, pursuant to Republic Act No. 601 (Exchange Tax Law).
- On March 14, 1956, petitioner filed three refund applications with the Central Bank for the 17% special excise tax paid, totaling P113,343.99. The claim was based on Section 2 of Republic Act 601, which allows refunds for specific imported items including “stabilizer and flavors”.
- The Exchange Tax Administration reviewed the applications and approved a refund of P23,958.13 for irish moss extract, sodium benzoate, and precipitated calcium carbonate.
- The Central Bank auditor, supported by the Auditor General, denied the refund, claiming the term “stabilizer and flavors” only pertained to food products.
- Petitioner appealed to the Supreme Court after the Auditor General affirmed the Central Bank auditor’s decision on December 4, 1958.

****Issues**:**

1. Whether the term “stabilizer and flavors” in Section 2 of the Exchange Tax Law applies only to food products or includes other products such as dental cream ingredients.
2. Whether the petitioner is entitled to a refund for the special excise tax paid on the importation of these dental cream stabilizers and flavors.

****Court’s Decision**:**

The Supreme Court ruled that the term “stabilizer and flavors” should not be restricted to food products based on statutory construction principles.

1. ****Term Usage**:**

- The Court rejected the respondent’s argument that all items before and after “stabilizer and flavors” in the statute pertained strictly to food.
- The Court argued that other listed items such as “fertilizer” and “poultry feed” are not

food products yet are included in the same category.

- The principle “Ubi lex non distinguit nec nos distinguere debemos” (Where the law does not distinguish, neither should we) was applied. Since the law did not explicitly limit “stabilizer and flavors” to food products, the Court interpreted it in its general sense.

2. **Refund Eligibility**:

- Given the broad interpretation, the petitioner was entitled to the refund on dental cream stabilizers and flavors.

- Consequently, the decision of the Auditor General was reversed, and respondents were ordered to audit and process the refund.

Doctrine:

The doctrine arising from this decision is that the term “stabilizer and flavors” in tax exemption statutes should be interpreted broadly unless explicitly restricted by the statute. The principle of statutory interpretation “Ubi lex non distinguit nec nos distinguere debemos” emphasizes not imposing restrictions where the legislature did not.

Class Notes:

- **Ubi lex non distinguit**: If the law does not make distinctions, neither should interpretations of the law.

- **Statutory Interpretation**: General terms within specific lists should retain their general meanings unless context explicitly restricts them.

- **Exchange Tax Law**: Indications under Section 2 (e.g., stabilizer and flavors) cover broad categories unless explicitly limited to specific types (like food products).

Historical Background:

This case took place in the context of post-World War II Philippines, characterized by economic reconstruction and policy development. Republic Act No. 601 (Exchange Tax Law) was part of economic instruments employed to manage the foreign exchange reserves, essential to the country’s rebuilding efforts and industrialization. This case highlights the legal interpretations necessary to apply newer tax laws to evolving industrial practices, illustrating the intersection of economic policy and legal frameworks.