

# Case Brief: Tolentino vs. Secretary of Finance (305 Phil 686)

## Title:

Arturo M. Tolentino, et al. vs. The Secretary of Finance, et al.

## Facts:

Republic Act No. 7716, known as the Expanded Value-Added Tax (EVAT) Law, aims to widen the tax base and enhance tax administration by amending the National Internal Revenue Code (NIRC). The proposal initiated in the House of Representatives as House Bill (H.B.) No. 11197 but concurrently developed as Senate Bill (S.B.) No. 1129 and subsequently S.B. No. 1630 in the Senate. Despite the presidential certification on the urgency of the bill, there were procedural contentions about whether the Senate properly followed constitutional mandates.

### Series of Events:

1. \*\*July 22, 1992 - August 31, 1993:\*\* Various VAT-related bills introduced in the House.
2. \*\*November 17, 1993:\*\* H.B. No. 11197, a substitute bill, approved in the House after three readings.
3. \*\*November 23, 1993:\*\* H.B. No. 11197 transmitted to the Senate.
4. \*\*February 7, 1994:\*\* The Senate Ways and Means Committee recommended S.B. No. 1630 in substitution of S.B. No. 1129, taking into consideration H.B. No. 11197.
5. \*\*March 24, 1994:\*\* S.B. No. 1630 approved on second and third readings in the Senate.
6. \*\*April 27, 1994:\*\* Conference committee consolidated H.B. No. 11197 and S.B. No. 1630.
7. \*\*May 2, 1994:\*\* Both the House and the Senate approved the consolidated bill.
8. \*\*May 5, 1994:\*\* President signed the consolidated bill into Republic Act No. 7716.
9. \*\*May 12, 1994:\*\* Act published in newspapers and took effect on May 28, 1994.
10. \*\*June 30, 1994:\*\* Supreme Court issued a temporary restraining order halting the enforcement of the law.

## Issues:

1. \*\*Procedural Issues:\*\*
  - Did Republic Act No. 7716 violate Article VI, § 24 concerning the origination clause?
  - Was there a violation of Article VI, § 26(2) relating to the senate's power and the three readings on separate days requirement?
  - Extent of the Bicameral Conference Committee's power.

2. **Substantive Issues:**

- Did R.A. No. 7716 infringe upon the Bill of Rights (freedom of speech, press, and religion)?
- Does it violate Article VI, § 28(1) and § 28(3) concerning uniformity and equity of taxation and exemptions for religious or charitable institutions?

**Court's Decision:**

**Resolving Procedural Issues:**

1. **Origination Clause:**

- The majority held that the bill originated from the House of Representatives. Adopting amendments from the Senate and consolidating two versions through the Bicameral Conference Committee is permissible under the Constitution.

2. **Three Readings on Separate Days:**

- While S.B. No. 1630 did not pass three readings on separate days in the Senate due to presidential certification of urgency, and thus, the constitutional requirement was deemed satisfied thereby.

3. **Bicameral Conference Committee:**

- The Committee was found to have acted within its bounds by consolidating differing versions of bills from both the Senate and the House.

**Resolving Substantive Issues:**

1. **Freedom of Speech, Press, and Religion:**

- The law did not single out the press or religious entities for discriminatory taxation. The removal of exemptions was part of a general tax reform and not a targeted onus.

2. **Uniformity and Equity of Taxation:**

- Arguments that the VAT was regressive and violative of uniform taxation principles were dismissed. The Court emphasized the progressive aspects and exemptions within the law applicable to lower-income groups and small businesses.

**Doctrine:**

1. **Origination Clause:**

- The Senate can propose extensive amendments to revenue bills as long as the bill legitimately originated in the House and substantial compliance with three readings on separate days and other procedural requirements is demonstrated.

2. **Judicial Review of Procedural Compliance:**

- Courts can review whether constitutional procedures for enacting laws were followed, but a high deference is given to the legislature's certification and procedural documentation.

#### ## Class Notes:

##### 1. **Key Elements:**

- Origination Clause: Revenue bills must exclusively originate from the House.
- Three Readings Rule: Bills must pass three readings on separate days.
- Conference Committee: Can consolidate and amend bills from both houses.

##### 2. **Critical Provisions:**

- **Article VI, § 24:** All revenue bills shall originate exclusively in the House of Representatives, but the Senate may propose or concur with amendments.
- **Article VI, § 26(2):** No bill passed by either house shall become law unless it has passed three readings on separate days unless the President certifies to the necessity of its immediate enactment.

#### ## Historical Background:

Following the economic crises and to stabilize government revenues in the early 1990s, the Philippine government decided to expand its VAT system through R.A. No. 7716. The law aimed to broaden the tax base, streamline tax collections, and implement comprehensive tax reform as part of the nation's economic recovery strategy.

This case represents a significant constitutional examination of legislative processes, balancing between flexible legislative amendments and adherence to procedural mandates, all within the context of fundamental tax reform policies.