

Title: Commissioner of Internal Revenue v. Court of Tax Appeals and Manila Golf & Country Club, Inc.

Facts:

This case revolves around Manila Golf & Country Club, Inc., a non-stock corporation maintaining a golf course and operating a clubhouse with a lounge, bar, and dining room for the exclusive use of its members and their guests. The club was assessed fixed taxes as operators of golf links, restaurants, and percentage tax (caterer's tax) on food and fermented liquor/wine sales for September 1969 to December 1970, totaling P32,504.96. The club protested the assessment, citing a veto by President Ferdinand E. Marcos on Section 42 of House Bill No. 17839, which inserted a new Section 191-A imposing a caterer's tax. The protest was denied by the Commissioner of Internal Revenue (CIR), leading to a petition at the Court of Tax Appeals (CTA).

The CTA ruled in favor of the club, interpreting President Marcos' veto message as referring to the whole section, rendering the imposition of the caterer's tax in RA No. 6110 void. The CIR appealed the decision to the Supreme Court.

Issues:

1. Does the presidential veto cover the entire Section 191-A or only specific provisions within it?
2. Does the President have the power to veto specific words or phrases within a section of a revenue bill?

Court's Decision:

1. Scope of the Presidential Veto:

The Supreme Court ruled that the presidential veto applied only to specific parts of Section 191-A, particularly excluding "hotels, motels, resthouses" from the 20% caterer's tax bracket but not to the entire section. They referenced Commissioner of Internal Revenue vs. Manila Hotel Corporation, which set this precedent.

2. Power of the President to Veto Parts of a Bill:

The Supreme Court disagreed with the CTA's interpretation that the President could only veto an entire section. The Court held that the President has the power to veto parts of an item, such as specific tax impositions within a section. This interpretation prevents the absurdity of exempting already taxable entities by merely vetoing parts of a revenue bill that selectively impact certain industries.

Doctrine:

1. The President's veto power under Sec. 20 (3), Art. VI of the 1935 Constitution extends to parts of an item within a revenue bill, allowing the President to veto specific impositions without rejecting the entire section.
2. A presidential veto that fails to meet constitutional requirements renders such parts of the bill valid and enforceable.

Class Notes:

- Key Elements: Presidential veto power, Revenue bill taxation, Caterer's tax.
- Statutes: RA No. 6110, Sec. 20 (3), Art. VI of the 1935 Constitution.
- Interpretation: The President can selectively veto parts of a section in a revenue bill, specifically the subject or the rate of the tax.
- Case Relevance: Helps clarify the extent of executive veto powers within the bounds of constitutional law regarding revenue legislation.

Historical Background:

The case context dates to the late 1960s and 1970s during the presidency of Ferdinand E. Marcos, a period marked by significant economic development and ensuing legislative actions to regulate various economic sectors. The imposition of the caterer's tax was part of a broader tax reform under RA No. 6110, intended to streamline and expand the national revenue system. This period was also notable for legislative confrontations with executive veto powers.