

**\*\*Title: Trusteeship of Minors Perez y Tuason vs. J. Antonio Araneta\*\***

**\*\*Facts:\*\***

1. In 1948, Angela S. Tuason passed away, leaving a will that specified her estate distribution among her grandchildren, Benigno, Angela, and Antonio Perez y Tuason, and grandchildren of her daughters, Nieves and Angela.
2. The will instructed that portions of her estate, particularly two-ninth portions intended for her grandchildren, be managed by a trustee, J. Antonio Araneta, with the power to sell these portions and reinvest the proceeds. The trustee was also to render quarterly accounts and deliver rents to adult legatees.
3. In 1950, properties worth P900,000 were entrusted to Araneta for the benefit of the Perez y Tuason minors, conforming to the will.
4. Between 1956 and 1958, portions of these trust assets were sold, resulting in an excess over appraised values totalling P98,828.88.
5. On September 28, 1959, Antonio M. Perez, the judicial guardian of the minors, filed a motion asserting that the P98,828.88 should be considered income or profits for the minors, based on its characterization in the trust's income tax returns.
6. Araneta opposed the motion, arguing that the funds were actually part of the trust corpus that still needed to be managed according to the will.
7. The court subsequently denied the motion on March 10, 1960, leading to an appeal by the guardian.

**\*\*Issues:\*\***

1. Whether the profit from the sale of trust properties amounting to P98,828.88 should be classified as income or profit distributable to the minors.
2. Whether such profits are to be treated according to the intentions of the will or as defined by the applicable internal revenue laws.

**\*\*Court's Decision:\*\***

1. The Philippine Supreme Court upheld the lower court's decision that the P98,828.88

profit from the sale of trust property was part of the corpus of the trust, rather than distributable income.

2. The Court reasoned that the determination of whether the amount constituted income should follow the intentions of the testatrix as expressed in the will rather than merely how it was classified for taxation purposes.

3. The will clearly provided that proceeds from sales were to replace the property sold and remain part of the trust corpus until a majority of the beneficiaries attained legal age and agreed otherwise.

**\*\*Doctrine:\*\***

1. The Court established the rule that profits from the sale of trust assets are considered part of the trust principal and are not inherently distributable income to beneficiaries unless the trust instrument expressly states otherwise.

2. The ruling reinforced that the trustee's duty is to adhere to the conditions set by the trust originator and such duties persist despite variations in asset classifications in tax filings.

**\*\*Class Notes:\*\***

- **\*\*Trust Law Principles\*\***: The ruling highlights the principle that profits from the sale of trust assets are generally part of the principal, not income, under trust law unless specified otherwise by the trust creator.
- **\*\*Interpretation of Wills\*\***: The court prioritizes the express intentions of the testator over external classifications, such as tax documents.
- **\*\*Civil Code of the Philippines\*\***: Article 1442 ensures compatibility of trust principles with the Civil Code, emphasizing the non-distribution of capital gains as income without explicit directives in trust terms.

**\*\*Historical Background:\*\***

The case reflects post-war estate management practices in the Philippines where testators often sought to mitigate familial financial uncertainties. The trusteeship arrangement for minors in wills was a common legal strategy to ensure long-term asset management and protection amidst fluctuating economic conditions. This case underscores the judiciary's role in safeguarding the testator's intent and maintaining the integrity of trust operations.