

Title: **\*\*Commissioner of Internal Revenue vs. Republic Cement Corporation, et al.\*\***

Facts:

A series of consolidated cases were brought before the Supreme Court of the Philippines, where the Commissioner of Internal Revenue (petitioner) contended that cement manufacturers (respondents) were liable to pay a 7% sales tax on their products. The dispute centered on whether cement should be classified as a “mineral product,” which would make it exempt from sales tax, or a “manufactured product,” which would subject it to the tax under the Tax Code.

Initially, the Court of Tax Appeals ruled in favor of the respondents, categorizing cement as a “mineral product” and thus exempting it from the sales tax. The Commissioner sought review and the Supreme Court, in a decision on August 10, 1983, reversed the CTA’s ruling. The Court declared that cement was a “manufactured product” and ordered the respondents to pay the 7% sales tax based on the gross selling price, less appropriate deductions. Respondents, including Republic Cement Corporation, APO Cement Corporation, and CEPOC Industries, Inc., subsequently filed three separate motions for reconsideration.

Issues:

1. Whether cement is correctly classified as a “mineral product” and thus exempt from sales tax under Sec. 186(c) of the Tax Code.
2. Whether the Supreme Court’s interpretation of the term “manufactured product” should be applied retroactively.
3. Whether the government’s right to assess sales tax on cement is barred by the prescriptive period set forth in Sec. 331 of the Tax Code.

Court’s Decision:

1. **\*\*Nature of Cement as a “Manufactured Product”:\*\***
  - The Supreme Court reaffirmed that cement is a “manufactured product,” a determination influenced by legislative history and previous interpretations. The Court held that cement, undergone processing and transformation, did not qualify as a “mineral product” that would warrant a sales tax exemption. This was a foundational basis for imposition despite previous contrary rulings.
2. **\*\*Non-Retroactivity of Judicial Interpretations:\*\***
  - The Court addressed the argument that its interpretation should not apply retroactively

per the principle of prospective application of new doctrines, as cited in *People v. Jabinal*. The Court countered this by clarifying that its present ruling was not a new doctrine but a reaffirmation of an established interpretation that cement is subject to tax. Thus, the non-retroactivity principle did not shield the respondents from liability for past sales.

3. **\*\*Prescription of the Right to Assess:\*\***

- The Supreme Court concluded that the prescriptive period for assessing the tax had not lapsed. CEPOC's omission to file sales tax returns meant the prescriptive period under Sec. 331 had not begun. Whether the period was calculated from 1960 (after filing returns for ad valorem tax) or from 1967 (after reversing the Commissioner's error regarding taxability), the 1968 assessment was within the ten-year period for omission or fraud.

Doctrine:

The ruling establishes that:

1. Cement is considered a "manufactured product" rather than a "mineral product," making it subject to sale tax.

Class Notes:

- **\*\*Tax Classification of Products:\*\*** Cement is classified as a "manufactured product" subject to sales tax under Sec. 186 of the Tax Code. Legislative history and statutory definitions play crucial roles in tax classification.

- **\*\*Judicial Interpretation in Tax Law:\*\*** Judicial interpretations set forth by the Supreme Court are retroactively applied as they are deemed to clarify the original legislative intent. Subsequent rulings reinforce earlier judicial determinations unless specifically overhauled.

- **\*\*Prescriptive Period Under the Tax Code:\*\*** Under Sec. 331, the failure to file a tax return triggers a ten-year prescriptive period. Filing an inappropriate tax return does not constitute compliance for starting the prescriptive period.

Historical Background:

The case aligns with past legal battles where tax classification complications arose during the 1960s and 70s, a period marked by economic adjustments and legislative reforms in the Philippines. This ruling solidified the stance on classifying cement based on manufacturing dynamics over its primary state as a mineral, reflecting how legislative changes and judicial interpretations converge to clarify tax obligations.