

**THE COMMISSIONER OF INTERNAL REVENUE, PETITIONER, VS.
CHURCH OF JESUS CHRIST “NEW JERUSALEM”;
RESPONDENT.***G.R. No. L-15772. October 31, 1961*

Ponente: CONCEPCION, J.

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Petition for review of a decision of the Court of Tax Appeals.

Respondent Church of Jesus Christ, "New Jerusalem," hereinafter referred to as the taxpayer, is a religious corporation organized and existing under the Philippine laws. Sometime in May, 1958, the taxpayer received from Nedra Hansen, 527 Lexington Ave., New York U. S. A. a letter advising the former that she was donating thereto two (2) cases of cigarettes for free distribution among its poor destitute members. This donation of cigarettes arrived at Manila, on board S/S "Steel Chemists", on June 25, 1958, and consisted of two (2) wooden cases or crates of king-size "Chesterfield" cigarettes, each case containing 12 regular cases of 50 cartons, or a total of 600 cartons. Invoking Republic Act No. 1916, the taxpayer thereupon requested the Secretary of Finance for exemption from the specific tax prescribed in subsection (b), subparagraphs (2) and (4), of section 137 of the National Internal Revenue Code, in relation to section 123 and 125 thereof, stating that the aforementioned cigarettes are donations intended for free distribution to the poor and destitute members of said taxpayer. In a letter dated July 28, 1958, the Secretary of Finance denied the request upon the ground that, considering the nature of the articles donated, the free distribution thereof to said poor and destitute members of the taxpayer cannot be considered as being for civic, religious or charitable purposes. On August 26, 1958, another letter request for exemption was addressed by the taxpayer to the Commissioner of Internal Revenue, who replied on September 8, 1958, denying said request for the reasons stated in said communication of the Secretary of Finance of July 28, 1958. In due course, the taxpayer filed with respondent Court of Tax Appeals a petition for review of said decision of petitioner herein. After appropriate proceedings, respondent Court rendered a decision holding that the cigarettes in question are exempt from the specific tax above referred to and, accordingly, reversing the decision of petitioner herein, who has brought the case to us for review.

Republic Act No. 1916 reads:

"The provisions of existing laws to the contrary notwithstanding, all donations in any form and all articles imported into the Philippines, consigned to a duly incorporated or established international civic organization, religious or charitable society or institution for civic, religious or charitable purposes shall be exempt from the payment of all taxes and duties upon proof satisfactory to the Commissioner of Customs and/or Collector of Internal Revenue that such donations in any form and articles so imported are donations for its use or for free distribution and not for barter, sale or hire: Provided, however. That in case such articles are subsequently conveyed or transferred to other parties for a consideration, taxes and duties shall be collected thereon at double the rate provided under existing laws payable by the transferor: Provided, further. That rules and regulations shall be promulgated by the Department of Finance for the implementation of this Act."

To be exempt from taxes and duties, under this legislation, the following conditions must concur, namely: (1) the imported articles must have been donated; (2) the donee consignee must be "a duly incorporated or established international civic organization, religious or charitable society, or institution for civic, religious or charitable purposes"; and (3) the articles so imported must have been donated for the use of said organization, society or institution, "or for free distribution and not for barter, sale or hire". As correctly held by respondent court:

"* * * All these requirements are present in the instant case. The cigarettes in question were donated by Nedra Hansen, 527 Lexington Ave., New York; they were donated and consigned to petitioner, a religious organization; and that they are for free distribution to the poor and destitute members of petitioner, and not for barter, sale or hire. Obviously, the said cigarettes are exempt from the specific tax under Republic Act No. 1916."

Petitioner insists that "the tax exemption granted by Republic Act No. 1916 is limited to articles which by their nature are for civic, religious or charitable purposes", and that the cigarettes involved in this case do not fall under such category. This theory is predicated upon the words "for civic, religious and charitable purposes" found in said law. It is apparent, however, on the face thereof, that said qualifying expression characterizes, not the nature of the imported articles, but that of the "institution" to which they have been donated. Moreover, insofar as the nature of said articles is concerned, the law is explicit that it covers "all articles" consigned to the organization, society or institution adverted to above, provided that the goods have been donated "for its use or for free distribution and not for barter, sale or hire". Then, too, even the cigarettes are not, by their nature, for civic, religious or charitable purposes, it is patent that its free distribution may be made for such end. And such was the purpose of Nedra Hansen in making the donation, for in her aforementioned communication, she requested that the cigarettes be distributed "free to the poor and destitute members of the congregation, hoping that in one way or another this manifestation of Christian charity will assuage their feelings and needs". Again, as stated in the decision appealed from:

"Neither may the interpretation of respondent be justified by the intention of Congress in enacting Republic Act No. 1916. It will be recalled that after the end of World War II, donations from abroad began pouring into the country for the relief and rehabilitation of those who suffered during the war. Because of the limited exemption from taxation of articles received from abroad, whether the articles were for free distribution or for commercial purposes, complaints were heard from the donors that Philippine authorities were placing obstacles in the way of the poor and the needy receiving much needed help from those who were ready and willing to extend such assistance. As a consequence, the flow of donations from abroad for relief and rehabilitation were retarded. This is the reason why Congress saw fit to enact Republic Act No. 1916 to encourage such donations. The too stilted interpretation of respondent as to the meaning and scope of said Act would emasculate it and thereby thwart the purposes for which the law came into being.

"Even granting that the opinion of respondent that the articles coming from abroad by way of donation for charitable distribution in the Philippines must be donated and consigned to charitable organization to be entitled to exemption—is correct, we believe that the articles in question, donated and consigned to and received by petitioner, a religious organization, qualify for the exemption. A religious organization is not limited to purely religious activities. It is by its very nature and purpose also a charitable organization. Acts of charity, ministering to the physical and spiritual needs of the poor and the sick, are of common knowledge, best handled and performed by religious organizations.

"But, it may be asked, are cigarettes a proper subject for charitable distribution to the poor and the needy? To our mind, there is nothing basically wrong with giving cigarettes to the poor and the needy. The element of charity is not destroyed when cigarettes, instead of other articles, are given to the poor. Donations sent to our soldiers in Korea during the Korean War were nonetheless charitable notwithstanding that the donations were in the form of beer and cigarettes. The element of charity is not lost when a person gives cigarettes during

Christmas to the inmates of Muntinlupa, or of the Tala Leprosarium, or of the charity wards of Government and private hospitals. That American cigarettes are highly prized in the Philippines does not alter the situation. They are ordinary commodities in the country of the donor, in this case, a resident of New York.

"While the law exempts from taxation all articles received from abroad as donation to the organizations mentioned therein for free distribution in the Philippines, it has also provided for safeguards to prevent its abuse. Where it is shown that the articles have been subsequently transferred or conveyed to other parties for a consideration, the law requires collection from the transferor of the taxes and duties at double the rates provided under existing laws. The law also requires the Department of Finance to promulgate rules and regulation for its proper implementation.

"The exemption from taxation of donations from abroad may not, therefore, be denied if all the requisites for their exemption are fully complied with. It is, however, the duty of respondent [1] to see to it that the articles donated are distributed free to the intended recipients. If he finds that the donee has conveyed or transferred the articles for a consideration to other parties, he is authorized to collect the corresponding taxes at double the rates provided by existing laws.

We are fully in agreement with the foregoing view, which we adopt as ours.

Wherefore, the decision appealed from is hereby affirmed, without costs. It is so ordered.

Bengzon, C. J., Padilla, Bautista Angelo, Labrador, Reyes, J. B. L., Paredes, Dizon, and De Leon, JJ., concur.

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