

REPUBLIC OF THE PHILIPPINES, PETITIONER, VS. HON. JUDGE VICENTE G. ERICTA AND SAMPAGUITA PICTURES, INC., RESPONDENTS.*G.R. No. L-35238. April 21, 1989*

Ponente: NARVASA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/3497879186ae/>**NARVASA, J.:**

This case has to do with the so-called "back pay certificates" issued by the Philippine Government in the aftermath of the Pacific War, pursuant to Republic Act No. 304, as amended by Republic Act No. 800. These enactments generally recognized the right of persons who at the outbreak of the war were employed in the classified and unclassified civil service as well as in government-owned or controlled corporations, and those who had served in the free local civil governments organized for purposes of resistance against the invaders, to salaries, wages, emoluments, per diems, not received by them by reason of the war. The Treasurer of the Philippines was empowered to receive applications for back pay and to issue in favor of the applicants certificates of indebtedness redeemable by the Government within ten years for the amounts determined to be justly due them.

It appears that in relation to its business of producing motion pictures, Sampaguita Pictures, Inc., hereafter simply Sampaguita, came to incur an obligation for percentage, withholding and amusement taxes in the amount of P10,268.41 in favor of the Republic of the Philippines.¹ In satisfaction thereof, and of another obligation of the same nature due from Vera-Perez Corporation, Sampaguita Pictures, Inc. tendered and delivered to the Office of the Municipal Treasurer of Bocaue, Bulacan, on June 9, 1961, sixteen (16) back pay negotiable certificates of indebtedness in the aggregate sum of P16,763.50, which had earlier been negotiated to them by the original holders thereof; and official receipts therefor were duly issued.¹

Thirteen (13) days later, however, the Assistant Regional Director of the BIR wrote to Vera-Perez Corporation (his letter is dated June 22, 1961) advising that the acceptance of the Negotiable Certificates of Indebtedness in payment of amusement, percentage and withholding taxes (in the total sum of P16,753.50) was erroneous and the payment was invalid, because actually said certificates were "not acceptable as payments of internal revenue taxes in accordance with the provisions of ** General Circular No. V-289 dated May 8, 1959." Request was thus made for the payment of the tax liabilities in cash.² Evidently neither corporation responded one way or the other to this letter. Anyway, the next letter adverted to by the Government is that dated August 18, 1967, written by the Acting Deputy Commissioner of Internal Revenue to both Sampaguita and Vera-Perez Corporation.³ That letter gave the corporations "a last 15-day period within which to pay the said amount of P16,763.50 in cash or certified check." Again, no acceptable response seems to have been made by the corporations. So on June 9, 1969, eight (8) years to the day when the negotiable certificates of indebtedness were accepted in payment of taxes by the Municipal Treasurer at Bocaue, Bulacan, the Solicitor General brought suit in behalf of the Republic of the Philippines in relation thereto.⁴ The case was docketed as Civil Case No. Q-13270 of the Court of First Instance at Quezon City, and assigned to Branch XVIII thereof, then presided over by herein respondent, Hon. Vicente G. Ericta.⁵

The Solicitor General's complaint⁶ impleaded only Sampaguita as defendant. Why he excluded the other corporation is not disclosed by the record. In his complaint he alleged that Sampaguita's essayed payment was void since it was "not the original holder of the ** certificates ** but ** only a mere assignee thereof," and under the law, "only original holders of back pay certificates ** are allowed to use the same in payment of their own taxes," invoking this Court's decision to that effect in *de Borja v. Gella*,⁷ promulgated on July 31, 1963.

Sampaguita's answer admitted the basic facts, but asserted that the plaintiff's cause of action had already prescribed; that the tender of the certificates in 1961 had been "made in absolute good faith," "prior to the promulgation of the decision ** (in) *de Borja vs. Vicente Gella et al.* on July 31, 1963;" that the certificates "having duly matured ** in the year 1958, (and) plaintiff ** (being then) already duty bound to redeem them and pay for their value," Sampaguita and the Republic became "mutual creditors and debtors of each other for the amount of P10,268.41" with the result that their obligations were extinguished by legal compensation." These averments were inter alia reproduced and set up also as a counterclaim, with the additional plea that "in the remote possibility that ** (it [Sampaguita]) be still required ** to pay plaintiff the amount of P10,268.41 for alleged unpaid taxes, the plaintiff be ordered to pay the defendant the same amount of P10,268.41 representing the face value of the negotiable certificates of indebtedness."

On December 29, 1971, judgment was rendered by the Trial Judge "dismissing both the complaint and the counterclaim without pronouncement as to costs."¹ His Honor held that delivery of the back pay certificates by Sampaguita had not produced the effect of payment in view of the doctrine in *Borja v. Gella*² that "the right to use backpay certificates of indebtedness in the settlement of taxes is given only to original holders and not to mere assignees thereof;" this notwithstanding, Sampaguita, as assignee of the certificates or indebtedness, had "succeeded to the original rights of the holders thereof," and was therefore authorized to demand payment by the Republic of the indebtedness thereby represented; and while there was "opinion that (legal) compensation cannot take place against the Republic with respect to taxes, fees, duties and similar forced contributions due to it (Civil Code, Volume IV, p. 349, Tolentino; Gasperi 204; 2 Von Tuhr, *Obligaciones*, p. 165), there could be no gainsaying the proposition that, under the facts, Sampaguita was entitled to judgment upon its counterclaim for the payment by the Republic of its indebtedness in virtue of the back pay certificates in question, with the "ultimate result ** that the claim and counter-claim of the plaintiff and the defendant, respectively, will offset each other."

The Solicitor General presented a motion for reconsideration. When this was denied, he appealed to this Court by certiorari positing reversible legal error on the part of respondent Judge in holding that (1) the Republic's claim is off-set by Sampaguita's counterclaim, and (2) the negotiable certificates of indebtedness in question were "long overdue and redeemable." The petitioner's postulations are untenable.

1. The Trial Court ruled that the taxes sought to be collected by the Republic from Sampaguita were still unpaid, its tender of the certificates of indebtedness in question not constituting payment; hence, it ought properly to be sentenced to pay the taxes. It also ruled that even assuming the contrary, legal compensation as a mode of extinguishing an obligation to pay taxes was nonetheless unavailing against the government, conformably with *de Borja v. Gella*.

On the other hand, according to the Trial Court, at least as of date of judgment, more than 10 years from June 18, 1958, the date when, as expressly stated in the certificates of indebtedness, the same were redeemable, the obligation thereby evidenced was unquestionably already due and payable; hence, Sampaguita was entitled to a judgment against the Republic for the payment of the face value of the certificates, the same having already been presented and surrendered within the said period of ten years (on June 9, 1961) to the Treasurer of the Philippines (thru the Municipal Treasurer of Bocaue, Bulacan).¹ This is correct. In other words, even if as the Solicitor

General points out, "there is no certainty when the certificates are actually redeemable" because the law says "that they are redeemable ** 'within ten years from the date of issuance,'"² there can be no question that after the lapse of ten (10) years from the declared date of redeemability, payment of the indebtedness was already exigible. The Trial Court was saying in effect that while judgment should be rendered in favor of the Republic against Sampaguita for unpaid taxes in the amount of P10,268.41, judgment ought at the same time to issue for Sampaguita commanding payment to it by the Republic of the same sum, representing the face value of the certificates of indebtedness assigned to it and for recovery of which it had specifically prayed in its counterclaim.

2. What has just been said confutes the petitioner's second argument that redemption of the certificates of indebtedness was not yet demandable of it because "there is no certainty when the certificates are actually redeemable, within the meaning of the law." It is true that, as the Solicitor General contends, "the law does not say that they are redeemable from its approval on June 18, 1958 but 'within ten years from the date of issuance' of the certificates,"³ the ineludible, ineluctable fact is that more than ten (10) years have already elapsed since their issuance and demand for payment had been made within said 10-year period. It is useless to quibble about the precise time "within ten years" when an obligation becomes demandable, when that period of ten years has already expired. Whatever inexactitude might inhere in the phrase, "within ten years," as fixing the time of exibility of the obligation in question, there can be no debate about the proposition that the obligation became due and demandable after ten years. It would be absurd and unfair to sanction the theory subsumed in the Republic's petition that its obligation was not demandable within ten years because of inexactitude, yet became time-barred upon the lapse of that selfsame period.

WHEREFORE, the petition is DENIED, and the judgment subject thereof, being in accord with the facts and the law, is AFFIRMED in toto. No costs.

SO ORDERED.

Cruz, Gancayco, Griño-Aquino, and Medialdea, JJ., concur.

1 Rollo, pp. 25, 34

1 Id., pp. 25, 28, 29, 34, 107 (Sampaguita's Brief, p. 13)

2 Id., pp. 28 (copy attached as annex to the Republic's complaint dated June 9, 1969, *infra*), 107 (Sampaguita's Brief, p. 13)

3 Id., p. 29

4 Id., pp. 25-29.

5 Later, Associate Justice of the Supreme Court

6 The complaint was signed by then Solicitor General Felix V. Makasiar and three (3) others, and was verified by Commissioner of Internal Revenue Misael P. Vera.

7 G.R. No. L-18330, 62 O.G. (37) p. 6645

1 Rollo, pp. 34-38

2 *Supra*, footnote 8, p. 1

1 The certificate recites that it "is redeemable on June 18, 1958, without interest, upon its presentation and surrender to the Treasurer of the Philippines" (Rollo, p. 107; Brief for Sampaguita, p. 7).

2 Rollo, p. 86; Petitioner's Brief, p. 8

3 Again citing *de Borja v. Gella*, *supra*

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.