

CENTRAL COOPERATIVE EXCHANGE, INC., PETITIONER, VS. THE HONORABLE COURT OF TAX APPEALS AND THE HONORABLE COMMISSIONER OF INTERNAL REVENUE, RESPONDENTS.

G.R. No. L-22726. February 27, 1969

Ponente: MAKALINTAL, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/58cfa5215c27/>

MAKALINTAL, J.:

This is a petition for review of the decision of the Court of Tax Appeals dismissing "the claim of petitioner for the refund of the total amount of P1,004,834. 11 as erroneous payment of compensating and advance sales taxes on certain articles allegedly imported by it."

From the stipulation of facts and the evidence adduced by both parties, it appears that the Central Cooperative Exchange, Inc. (hereinafter referred to as the CCE) is a federated cooperative association organized under the provisions of Act No. 3425, as amended. Its members are farmers; cooperative marketing associations also organized under the aforementioned Act, federations of such cooperatives, and the Agricultural Credit and Cooperative Financing Administration (hereinafter referred to as the ACCFA), a government agency created under Republic Act No. 821, as amended.

On various dates the CCE filed with the Commissioner of Internal Revenue several claims for the refund of compensating and advance sales taxes alleged to have been paid erroneously on certain importations during the period from September 15, 1955 to March 19, 1958. As ground therefor, it invoked the provision of Section 48 of Act No. 34250 as amended, which exempts cooperative marketing associations organized thereunder from the payment of "the merchant's sales tax, the income tax, and all other, percentage taxes of whatever nature and description." Without waiting for the result of the administrative action on the aforesaid claims, the CCE filed a petition with the Court of Tax Appeals on May 30, 1958 to compel the respondent Commissioner of Internal Revenue to refund the sum of P789,051.55, representing alleged erroneous payments for compensating and advance sales taxes. On February 25, 1959 it filed an amended and supplemental petition with a total claim in the sum of P1,004,834.11.

On January 25, 1960 while this case was still pending in the court below, the Commissioner of Internal Revenue refunded to the CCE the sum of P190,667.07 but denied the refund of the sum of P50,286.39 covering payments from January 1, 1956 to March 18, 1956 because the claim therefor was filed beyond the prescriptive period provided for in Section 309 of the National Internal Revenue Code. The refund of the sum of P762,872.62 was also denied on the ground that it had been paid by the ACCFA on its importations and said entity was not exempted under the law from the payment of compensating and advance sales taxes. The following tax items, subject of the claim for refund, were actually litigated in the Court of Tax Appeals, to wit:

I. Seedlings (Exh. "B"; Exhs. "7-A"

& "7-B", p. 106, Vol. IV,

BIR records)

A. 1956 list: Amount Paid

Item 4 P2,728.74

Item 5 461.62

Item 6 457.52

P3,647.38

B. 1957 list:

Item 1 901.72

Item 2 1,819.97

2,721.69

TOTAL amount paid for SEEDLINGS P6,369.57

II. Fertilizer (Exh. "B-2"; Exhs. "6"

and "6-A", p. 1, Vol. IV,

BIR records)

A. 1957 list:

Items 1 to 12

totaling 104,965.41

TOTAL AMOUNT PAID for FERTILIZER 104,965.41

III. Machinery & Equipment (Exh. "B-1";

Exhs. "8-A", "8-B" and

"8-c", p. 260, Vol. IV, BIR records)

A. 1956 list: Item 9 P1,562.16

B. 1957 list:

Items 1 to 10,

inclusive, and

Item 12, totalling –

P 9,430.18

TOTAL MOUNT PAID for machinery &

Equipment. P10,992.14

IV. Ramie Textiles (Exhs. "B-3-a"

to "B-3-b"; Exh. "1"

to 5", pp. 1-5, Vol.

III, BIR records)

A. 1956 list:

Items 1 to 45, in-

clusive, totalling 280,560.24

B.1957 list:

Items 1 to 136, in?

clusive totalling 314,438.13

C. 1958 list:

Items 1 to 40, in?

clusive, totalling P45 390.00

TOTAL amount paid for

RAMIE TEXTILES. P640,388.37

GRAND TOTAL. 762,715.69

The CCE predicates its claim for refund on the allegation that it was the importer, having paid the corresponding compensating and advance sales taxes on the importations, although the receipts for such payments were issued in the name of the ACCFA.[1] As evidence the CCE presented the corresponding cancelled checks, vouchers and debit memos, the authenticity and identity of which were admitted by both parties.

In its decision dated February 7, 1964, the Court of Tax Appeals rejected the allegation of the CCE and found that the ACCFA was the importer of the articles in question. Consequently, it ruled that the CCE was not entitled to the refund claimed. Having failed to obtain a reconsideration of the decision, the CCE filed in this Court the instant petition for review.

The decisive issue in this case is: Who was the importer, the CCE or the ACCFA? The respondent Court of Tax Appeals ruled:

"From the evidence on record, we find that ACCFA is the importer. The shipping documents, such as bills of lading and invoices, are clear and satisfactory indications that ACCFA, not petitioner, is the importer of the goods in question. The ACCFA's status as importer is buttressed by the consideration that the import licenses, letters of credit and tax receipts are in its name.

"Moreover, the importations of seedlings and ramie textiles could be undertaken only by the ACCFA as required by law and regulations.

"While the evidence indicates that petitioner paid for the costs and expenses incidental to the importations, or the payments there-of were debited to its accounts, the same does not make petitioner the importer."

The CCE excepts from the ruling and contends that it is contrary to the decisions of this Court, particularly in the case of *Tan Tiong Bio, et al. vs. Commissioner of Internal Revenue*, G. R. L-15778, April 28, 1962.

The contention of the CCE is without basis. In the case cited, it was held that the Central Syndicate, not Dee Hong Lue, was the importer of the surplus goods because in the contract of sale between Dee Hong Lue and the Foreign

Liquidation Commission, the former acted as agent of the group of financiers who later became the principal stock-holders of the Central Syndicate. The finding of the Court of Tax Appeals therein, which was sustained by this Court, is that "Dee Hong Lue purchased the surplus goods in question not for himself but for the Central Syndicate which was then in the process of incorporation." In the instant case, there is no evidence that the ACCFA acted as a mere agent of the CCE in the importation of the goods on which the taxes were assessed and paid. The fact that "the evidence indicates that petitioner paid for the cost of and expenses incidental to the importations, or the payments thereof were debited to its account," does not necessarily show that the ACCFA was acting as agent of the CCE in connection with said importations. Neither does it militate against the ACCFA's being itself the importer. If anything, it would merely indicate that the CCE paid in advance part of the price of the articles purchased by it from the ACCFA, and that the latter, in paying the taxes, as importer, for which receipts were issued in its name, used the money received from the CCE for said purchases.

This Court made an observation in the case cited that "even if Dee Hong Lue may be deemed as the purchaser of the surplus goods in his own right, nevertheless the corporation still may be regarded as the importer of the same goods for the reason that Dee Hong Lue transferred to it all his rights and interests in the contract with the Foreign Liquidation Commission, and it was said corporation that took delivery thereof from the place where they were stored in Leyte x x x." Even in the light of the said observation the CCE cannot claim to be the importer here. It is not disputed that the ACCFA was the consignee of the articles in question as shown by the bills of lading. As pointed out by the Solicitor General, there is no evidence nor is it stipulated that the bills of lading were ever endorsed by the ACCFA in favor of the CCE; the ACCFA was the owner of the goods while the same were in the customs area. Evidently, when the customs brokers withdrew the goods from customs custody, they acted as agents of the ACCFA and not of the CCE, because the Collector of Customs would not make delivery of the goods to anybody else than the ACCFA, who by the terms of the bills of lading appeared to be the consignee.

It is further urged by the CCE that this Court go "beyond the subterfuge of documents" and ascertain who was the real party to the transaction. The claim of the CCE that it was such party, just because the cost of and other expenses incidental to the importations were borne by it, cannot prevail over the conclusion arrived by the Court of Tax Appeals on the basis of the following facts and circumstances:

- (1) Under the regulations of the Department of Agriculture and Natural Resources only the ACCFA could import seedlings, and under Republic Act No. 1392, as implemented by Executive Order No. 129 (Sept. 23, 1955), ramie textiles could only be imported by the same entity.
- (2) The ACCFA applied with the Central Bank for licenses to import the articles in question and for the corresponding dollar allocations. The import licenses were issued in its name.
- (3) The letters of credit to cover the cost of importations were likewise in the name of the ACCFA.
- (4) The shipping documents, such as bills of lading and invoices, were all in the name of the ACCFA, which thus appeared to be the consignee of the goods.
- (5) The taxes were all paid in the name of the ACCFA, as shown by the tax receipts.
- (6) There being no evidence that the bills of lading were endorsed in favor of the CCE, it is evident that the customs brokers who withdrew the goods from the customs area acted in behalf of the ACCFA.

Besides, in the case of the importations of ramie textiles, the ACCFA actually paid all the costs and expenses, including taxes, although the payments appeared to have been debited against the accounts of the CCE.

Wherefore, the decision of the Court of Tax Appeals in C.T.A. Case No. 537, dated February 7, 1964, is hereby

affirmed, with costs against petitioner.

Concepcion, C.J., Reyes, Dizon, Zaldivar, Sanchez, Castro, Fernando, Capistrano, Teehankee, and Barredo, JJ., concur.

[1] It is not denied that the ACCFA did not enjoy the tax exemptions granted to the CCE under Act No. 3425. Neither did the ACCFA make a claim for refund.

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.