

THE CITY OF MANILA, PLAINTIFF AND APPELLEE, VS. THE MANILA REMNANT CO., INC., DEFENDANT AND APPELLANT.

G. R. No. L-9195. January 30, 1957

Ponente: MONTEMAYOR, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/8a35ea09087d/>

MONTEMAYOR, J.:

On July 15, 1953, the plaintiff, City of Manila, filed a complaint in the Court of First Instance of Manila to collect from the Manila Remnant Co., Inc., a corporation engaged in the importation of textiles and remnants for resale to the public both on wholesale and retail, the sum of ₱8,709, with interest from the date of the filing of the action, which amount is the total accumulated license taxes provided for in a municipal ordinance which defendant failed to pay for retail sales made from 1946 to 1950, including surcharge. There is no dispute about the amount of the sales involved during the period aforementioned, or as to the amount of taxes due if the sales involved were retail, instead of wholesale. In fact, the parties submitted a written stipulation of facts and asked that judgment be rendered on the basis of the same. In said stipulation, the parties agreed that in order to determine the nature of the sales of textiles by the defendant, the court may take as a basis the sales made in the year 1948 in favor of different purchasers, as follows:

"Liberty Shirt Factory

1,543 kilos

Bee Cuan Shirt Factory

7,835 kilos

Ben Shen Shirt Factory

2,903 kilos

Philippine Kapok Factory

13,208 kilos

Army Shirt Factory

3,338 kilos

Kok Hoa Shirt Factory

321 kilos

Grand Total

30,148 kilos"

(Paragraph 7, Stipulation)

The issue, entirely legal in nature, before the trial court is clearly stated in its decision, through Judge Hermogenes Concepcion, the relevant portion of which we reproduce below:

"The only question to be determined is whether the sales of textiles made by defendants to different factories specified in paragraph 4 of the stipulation of facts in order that said factories might cut those textiles and convert them into finished suits and dresses to be sold to consumers, were wholesale or retail. If they were wholesale this case must be dismissed. If they were retail defendant must pay the amount claimed by plaintiff in its complaint."In its memorandum plaintiff sustains that it is not the bulk or quantity of the goods sold that determines whether the sale is wholesale or retail. It is the use to which the goods sold is put by the buyer which is the basis for the determination of the kind of sale. On the other hand, the defendant in its memorandum holds that the quantity of the goods sold determines whether the sale is wholesale or retail."The Court disagrees with the contention of defendant. If it is the quantity of the goods sold that determines the kind of sale, what quantity of goods sold shall be considered as a sale on wholesale? In other words how many kilos in weight or how many meters in length must be considered a sale on wholesale deal."The court accepts the criterion sustained by the plaintiff that it is the use to which the buyer puts the goods bought that determines the kind of sale. If a buyer purchases goods to be resold at a profit in the same and unaltered form, the deal is wholesale. If it is to be cut or made into finished products to be sold to the consumer, it is a retail sale. There are several decisions to this effect cited by the plaintiff. Since the sales of the defendant specified in paragraph 4 V) of the stipulation of facts were made to factories who converted the textiles sold into suits, pants, dresses, etc., those sales were retail."

The lower court rendered judgment in favor of the plaintiff and sentenced the defendant to pay to it the sum of P8,709, with legal interest from the date of the filing of the complaint, with costs. The defendant has appealed directly to us for the reason that only a question of law is involved in the appeal.

Appellant contends that it is unfair to determine the nature of a sale, whether it is wholesale or retail, by the use to which the purchaser puts the commodity bought, something over which the seller has no control. At first blush, this contention would seem meritorious because a purchaser of a commodity may either consume it or otherwise devote it to its own use, or it may resell it for profit. So appellant maintains that it is more reasonable to take as a basis the bulk or amount of said sale; and it gives the following example: if a person buys half a dozen pairs of socks, the sale is clearly retail, but if he buys twelve dozen pairs of socks, then it is evident that the transaction is wholesale.

The trouble with appellant's theory is that there is no fixed amount or volume of sale to be used as a reliable test. A sale of half a dozen pairs of socks may support the inference that said socks are all going to be used by the buyer, so that the sale is retail. What about a sale of a dozen pairs or two dozen pairs of socks? A small merchant in a town market may buy as few as half a dozen pairs of socks for resale in his small store, and according to appellant's theory, because of the small volume of the sale, it should be regarded as retail, this, despite the resale of the socks by the buyer. On the other hand, a town or city may buy as many as twelve dozen pairs of socks for its policemen, and under appellant's claim, because of the volume of the sale, it should be considered wholesale, although all the socks are not to be resold, but used and consumed by the buyer. From this, it is apparent that the test offered by appellant, on the basis of volume of the sale, is neither valid nor satisfactory. It is more reasonable to consider the use and purpose for which articles are bought, whether for resale or for consumption, to determine the sale as retail or wholesale.

It should not be too difficult to determine the nature of a sale if we consider the business of the buyer, regardless of the bulk or volume of the sale. A sale of six or a dozen bolts (piezas) of cloth to a retail merchant engaged in the sale of cloth by the yard or meter should be considered as wholesale; and a sale even of dozens of bolts or,

hundreds of kilos of cloth or textiles to tailors, shirt factories or dressmaking establishments, should be regarded as retail for the reason that said textiles are consumed by said buyers in their business of converting the cloth into finished suits, dresses, shirts, etc., using in the conversion and manufacture not only the original cloth, but also thread, buttons, metal hooks, zippers, trimmings, decorations, etc., resulting in a product for sale, one entirely different from the original article purchased.

This question has already been decided by this Court in several cases, some quite recent.¹ Said this Court in the Tan vs. de la Fuente case:

"The fact that the purchasers - the tailors, shirt factories, taxicab companies and schools - transformed such dry goods bought from the appellee into suits, shirts and other garments, used them for seat covers, or sold them to their employees and to their teachers and students, does not convert the sale made by the appellee into wholesale and tailors, shirt factories, taxicab companies and schools into retailers. They were consumers in legal contemplation because they use the goods purchased by them. The retail sale of copra for the manufacture of soap or oleo-margarine, of hemp used to make twine or rope and in general of raw materials that are used or enter into the manufacture of finished products, cannot be deemed wholesale by the mere fact that the copra, hemp and raw materials are sold in altered form to the ultimate consumer."

Finally, defendant-appellant cites Republic Act No. 1180 in support of its contention about the meaning of retail, particularly, Section 4 thereof, which reads as follows:

"As used in this Act, the term 'retail business' shall mean any act, occupation or calling of habitually selling directly to the general public merchandise, commodities or goods for consumption, but shall not include: (a) a manufacturer, processor, laborer or worker selling to general public the products manufactured, processed or produced by him if his capital does not exceed five thousand pesos, or (b) a farmer or agriculturist selling the product of his farm".

However, we agree with plaintiff's counsel that said Republic Act is not applicable to the present case, first because the definition given in Section 4 was intended only for the purposes of said Act, and second, because said Republic Act was passed only on June 19, 1954, long after the transactions involved in the present case, namely, from 1946 to 1950.

On the basis of the stipulation of facts, particularly the sales made in the year 1948, and the fact that said sales were made to shirt factories and a kapok factory which evidently consumed and used the textiles purchased by them for conversion and manufacture into shirts, suits, etc., it is clear that the sales made by the defendant should be regarded as retail, and consequently, it should pay the license taxes due to the plaintiff. Finding no reversible error in the decision appealed from, the same is hereby affirmed, with costs.

Paras, C. J., Bengzon, Padilla, Reyes, A., Bautista Angelo, Labrador, Conception, Reyes, J. B. L., Endencia, and Felix, JJ., concur.

[1] City of Manila w. Manila Blue Printing Co., 74 Phil., 317; Buenaventura vs. Collector of Internal Rev. 50 Phil. 875; Jose Tan vs. Manuel de la Fuente, et al., 90 Phil., 519; and Sy Kiong vs. M. Sarmiento, 90 Phil., 434.

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.