

**STEEL CORPORATION OF THE PHILIPPINES, PETITIONER, VS.
BUREAU OF CUSTOMS (BOC), BUREAU OF INTERNAL REVENUE (BIR),
DEPARTMENT OF FINANCE (DOF), OFFICE OF THE PRESIDENT (OP)
AND TH...**

Ponente: CARANDANG, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/97702ec7c1a0/>

CARANDANG, J.:

This is an appeal under Rule 41 of the Rules of Court to the Order dated June 6, 2012[1] rendered by the Regional Trial Court of Balayan, Batangas, Branch 10 in Civil Case No. 5042 which (1) granted the motion for reconsideration of the Office of the Solicitor General and the Omnibus Motion of the Bureau of Internal Revenue, (2) ordered the dismissal of the case, and (3) dissolved the writ of preliminary injunction previously issued. The subsequent motion for reconsideration of the said order was also denied by the said court in an order[2] dated September 17, 2012.

Antecedents:

Culled from the records of this case, it would show that Steel Corporation of the Philippines (hereinafter Steel Corp.), a domestic corporation engaged in the steel business with principal office at Km. 105 Barangay Munting Tubig, Balayan, Batangas was put under corporate rehabilitation on September 12, 2006. While the proceedings for rehabilitation were pending, Republic Act No. 10142, otherwise known as the Financial Rehabilitation and Insolvency Act (FRIA) was passed into law on July 18, 2010. Section 19 of the said Act provides:

“Waiver of Taxes and Fees Due to the National Government and to Local Government Units (LGU's).- Upon issuance of the Commencement Order by the court, and until the approval of the Rehabilitation Plan or dismissal of the petition, whichever is earlier, the imposition of all taxes and fees, including penalties, interests and charges thereof, due to the national government or to LGUs shall be considered waived, in furtherance of the objectives of rehabilitation.”

Also, during this period, Steel Corp. imported raw materials for use in the manufacture of steel products which importations were assessed with taxes totalling P41,206,120.[3] In a letter dated October 1, 2010 addressed to the Bureau of Customs, Steel Corp. signified its intention to avail of the relief granted under Section 19 of the FRIA (RA 10142). Another letter addressed to Mayor Fronda dated December 22, 2010 signified Steel Corp.'s desire to avail of the relief under Section 19 of the FRIA.[4] Steel Corp.'s request for waiver was initially granted by the Bureau of Customs only to be reversed by the Department of Finance (DOF) later on, prompting Steel Corp. to elevate the matter to the Office of the President (OP).[5] The case was docketed as O.P Case No. 11-F-211.[6]

On September 14, 2011, Steel Corp. filed a complaint for Injunction with application for the Immediate Issuance of a Temporary Restraining Order (TRO) and a Writ of Preliminary Injunction praying that defendants be enjoined from collecting taxes, duties and fees against plaintiff. Said case was docketed as Civil Case No. 5042 before the Regional Trial Court of Balayan, Batangas, Branch 10.[7]

The Office of the President (OP) deferred the resolution of Civil Case No. 11-F-211 in an order dated November

9, 2011 and ruled that:

“The issues regarding the application and interpretation of Section 146 of the FRIA Law is principally a legal question involved in Civil Case No. 5042 and may affect the issue on the jurisdiction of the Office of the President raised in the instant appeal. As agreed by the parties during the clarificatory hearing, the resolution of the appeal is deferred until the final resolution of the issue. xxx”[8]

Records show that on September 15, 2011, the RTC granted a 72-hour Temporary Restraining Order (TRO) in favor of Steel Corp. Said TRO was extended to twenty (20) days in an order dated November 9, 2011.[9] The RTC eventually granted plaintiff's motion for the issuance of a Status Quo order further extending the life of the TRO until such time that the defendants could be heard on the issue of injunction. On January 12, 2012, defendants filed a Motion to Dismiss alleging that the RTC had no jurisdiction to hear and determine the petition citing par. G, Section 602 of the Tariff and Customs Code of the Philippines which vests the Bureau of Customs with the primary or exclusive jurisdiction over imported goods for the purpose of enforcing customs laws, subject to appeal to the Court of Tax Appeals. In opposing the motion to dismiss, plaintiff asserted that the matter in question is purely legal which even the OP recognized in its order dated November 9, 2011. Moreover, plaintiff claimed that the “commencement order” under Section 19 of RA 10142 is issued in rehabilitation cases filed under said law which does not apply to cases like the present case which was filed under PD 902-A as implemented by the Interim Rules of Procedure on Corporate Rehabilitation. Plaintiff also sought to strike out the answer filed by the BIR dated January 30, 2012 on the ground that the OSG has already appeared for all the defendants except the Municipality of Balayan. The motion to dismiss was denied in the order dated March 5, 2012.[10]

On June 6, 2012, the RTC resolved all the pending motions in the case, to wit: a) motion to strike answer filed by plaintiff; b) Urgent ex-parte motion for execution filed by plaintiff; c) Motion for reconsideration filed by the OSG; d) Omnibus Motion 1) Motion for Reconsideration, 2) Motion to Dissolve writ of preliminary injunction filed by the BIR; e) Motion for Reconsideration filed by the OSG and f) Motion to strike filed by plaintiff.[11]

In the said order of June 6, 2012, the RTC denied plaintiff's motion to strike the answer filed by the BIR. Plaintiff alleged that the BIR was already represented by the OSG hence the Answer filed by the BIR lawyer should be stricken from the records as it was in violation of Memorandum Circular No. 152 which states that:

“a) all litigation proceedings or matters involving the Government and its officials, employees, those likely to give rise to litigation and those which under existing laws are required to be referred to the Office of the Solicitor General should be referred to the said Office for representation or counsel.”

The RTC ruled that there exists a Memorandum of Agreement between the OSG and the BIR dated March 17, 2012 which gives the BIR lawyers authority to be the lead counsel in cases of first instance filed before the CTA, MTC, MCTC, RTC, DOJ and other administrative agencies.[12]

As regards the plaintiff's motion for execution, the RTC also denied the same in view of the fact that the case is not yet final and executory. There was a pending motion to dismiss and a motion for reconsideration filed by the OSG. The RTC resolved to grant the motion to dismiss and the motion for reconsideration of the OSG on the rationale that the case should have followed its rightful course and plaintiff should have raised the matter before the Court of Tax Appeals.[13]

Aggrieved by the RTC decision, plaintiff filed a motion for reconsideration which was denied by the RTC in the order dated September 17, 2012.[14] Hence the present appeal.

In this appeal, plaintiff-appellant raises two issues, to wit:

I. Whether or not the trial court erred when it allowed and gave due course to the separate motions of the BOC

and the BIR despite their procedural and jurisdictional infirmities; and

II. Whether or not the trial court erred in lifting the preliminary injunction and ordering the dismissal of the complaint.

On the first assignment of error, plaintiff-appellant asseverates that the separate motions of the BIR and the BOC should not have been considered by the trial court because the OSG already entered its appearance on behalf of the Government. Moreover, the notice of hearing on the motion for reconsideration filed by the OSG stated that: “xx the undersigned counsel will submit this motion for the consideration and approval of the Honorable Court on April 6, 2012 at 1:30 in the afternoon, without further oral argument”. However, April 16, 2012 was a national holiday, being Good Friday. With regard to the BIR's Omnibus Motion, the notice of hearing was dated March 28, 2012, but it was submitted for hearing on April 12, 2012 which was beyond the ten day period required under Section 5 of Rule 15, Rules of Court which provides:

“Section 5. Notice of Hearing.- The notice of hearing shall be addressed to all parties concerned, and shall specify the time and date of the hearing which must not be later than ten days after the filing of the motion.”

Moreover, it was scheduled on a Monday in violation of Section 7, Rule 15 of the Rules of Court which provides that all motions shall be scheduled for hearing on Friday afternoons, or if Friday is a non-working day, in the afternoon of the next working day.[15]

On the second assignment of error, plaintiff-appellant points out that the trial court failed to consider the existence of Exhibit “M” which is the order of the Office of the President dated November 9, 2011 wherein the OP recognized that the issue involved in the case is a legal question which is the interpretation of Sections 146 and 19 of the FRIA Law. Plaintiff-appellant also insists that the parties already agreed to refer the instant case to the jurisdiction of the trial court. Plaintiff-appellant also points out that the trial court, being one of general jurisdiction had sufficient authority to assume jurisdiction over the case when the issue raised is whether a certain law is applicable to prevent imposition of taxes and duties thereon citing the case of Commissioner of Customs vs. Court of Appeals,[16] where the Supreme Court held that the Court of First Instance had jurisdiction to take cognizance of the petition for injunction before it. The implementation, interpretation and enforcement of Section 19, RA 10142 are parts of corporate rehabilitation, hence the trial court had jurisdiction and it was error on its part when it dismissed the case.[17]

Is the contention of the plaintiff-appellant correct?

Our Ruling:

With regard to the issue of the alleged infirmity of the notice of hearing in the BIR and BOC's motions, We take judicial notice that April 5 and 6, 2012 were Holy Thursday and Good Friday.

Rule 15 of the Rules of Court provides:

“Section 7. Motion day.- Except for motions requiring immediate action, all motions shall be scheduled for hearing on Friday afternoons, or if Friday is a non-working day, in the afternoon of the next working day.”

Since the scheduled hearing for the motion was a non-working holiday, the trial court could simply set the motion for hearing on the next motion day.[18]

Where there is an irregularity in the notice of hearing, the test is the presence of opportunity to be heard, as well as the time to study the motion and meaningfully oppose or controvert the grounds upon which it is based.[19]

In one case, the Supreme Court held that although the requirement of notice of hearing under Section 5 of Rule 15

is mandatory, there was substantial compliance with the requirements of due process where the adverse party actually had the opportunity to be heard and had filed pleadings in opposition to the motion.[20] In the case at bar, plaintiff-appellant was given ample time to oppose the subject motions and prepare appropriate pleadings in contravention thereof.

No less than the Rules of Court itself provides for the liberal interpretation in the observance of the rules of procedure. Thus Section 6, Rule 1 of the Rules of Court provides that the rules should be liberally construed in order to promote their objective of securing a just, speedy and inexpensive disposition of every action. Courts must avoid the rigid application which would result in technicalities that tend to frustrate rather than promote substantial justice, more so where the lapse in the literal observance of the rule of procedure has not prejudiced the adverse party and has not deprived the court of its authority.[21]

Anent the second issue, We rule that the trial court did not err in lifting the preliminary injunction and dismissing the complaint.

Plaintiff-appellant insists that by agreement of the parties, as evident from the contents of the Order dated November 9, 2011 issued by the Office of the President, the instant case was referred to the trial court, thus defendants could not properly raise the issue of jurisdiction because they are estopped by the agreement.

This contention has no merit.

It is a basic legal principle that it is the law that confers jurisdiction, not experience, practice or tradition.[22] Jurisdiction of the courts cannot be conferred by the agreement of the parties. It is jurisprudential that jurisdiction of the court or other tribunal is determined by the relevant allegations of the complaint and the character of the relief sought irrespective of whether or not the plaintiff is entitled to recover upon all or some of the claims accorded therein.[23]

Section 7 of R.A. No. 1125 (CTA Law), as amended, states:

Sec. 7. Jurisdiction. - The CTA shall exercise:

(a) Exclusive appellate jurisdiction to review by appeal xxx;

xxx xxx xxx

(4) Decisions of the Commissioner of Customs in cases involving liability for customs duties, fees or other money charges, seizure, detention, or release or property affected, fines, forfeitures or other penalties in relation thereto, or other matters arising under the Customs Law or other laws administered by the Bureau of Customs;

xxx xxx xxx

Section 2402. Review by Court of Tax Appeals. - The party aggrieved by a ruling of the Commissioner in any matter brought before him upon protest or by his action or ruling in any case of seizure may appeal to the Court of Tax Appeals, in the manner and within the period prescribed by law and regulations.

Unless an appeal is made to the Court of Tax Appeals in the manner and within the period prescribed by laws and regulations, the action or ruling of the Commissioner shall be final and conclusive.[24] [Emphasis supplied]

The complaint for injunction filed by herein plaintiff-appellant seeks to enjoin the BOC and the BIR from collecting taxes and customs duties on the the importations made by plaintiff-appellant. Clearly, the regular court does not have jurisdiction to enjoin the said agencies from imposing/collecting taxes and customs duties on the

said importations.

The power to an injunctive relief against the imposition of taxes is vested on the Court of Tax Appeals as provided for under Section 11(4) of the Republic Act No. 1125, as amended by Section 9 of Republic Act 9282, to wit:

“No appeal taken to the CTA from the decision of the Commissioner of Customs or the Regional Trial Court, provincial, city or municipal treasurer or the Secretary of Finance, the Secretary of Trade and Industry or the Secretary of Agriculture, as the case maybe, shall suspend the payment, levy, distraint, and/or sale of any property of the taxpayer for the satisfaction of his tax liability as provided by existing law: Provided, however, that when in the opinion of the Court, the collection by the aforementioned government agencies may jeopardize the interest of the Government and/or the taxpayer, the Court, at any stage of the proceeding may suspend the said collection and require the taxpayer either to deposit the amount claimed or to file a surety bond for not more than double the amount with the Court.”

The law is clear and needs no interpretation. It is the Court of Tax Appeals which has jurisdiction over the injunctive relief being sought by the plaintiff-appellant. The denial of the plaintiff's request for exemption from customs duties and taxes should have been appealed to the Court of Tax Appeals which has the power to suspend the collection of customs/duties/tariffs at any stage of the proceedings. In fact, there is an assessment of P41,206,120 which must be disputed by the taxpayer, hence, the regular process on the resolution of disputed/contested assessment must be resorted to.

The trial court therefore, did not err in dismissing the instant complaint for lack of jurisdiction.

WHEREFORE, in view of the foregoing, the instant appeal is hereby DISMISSED.

SO ORDERED.

Gonzales-Sison and Sorongon, JJ., concur.

[1] Rollo, at 42-46

[2] Ibid, at 47

[3] Petition, pp. 5-6

[4] Order dated February 20, 2012 p. 2; Rollo, at 49

[5] Petition p. 7

[6] Rollo, at 52

[7] Memorandum of BIR pp. 1-2; Rollo, at 253-265

[8] Rollo, at 52-53

[9] Ibid, at 54-59

[10] Ibid, at 60-63

[11] Ibid, at 42-46

[12] Ibid, at 43

[13] Ibid, at 44-45

[14] Ibid, at 47

[15] Petition, pp. 12-16

[16] 36 SCRA 208

[17] Petition, pp. 31-36

[18] Montemayor vs. Bermejo, 425 SCRA 403

[19] Peysler, Jr. vs. Manila South Coast Development Corporation, 621 SCRA 636

[20] Ibid

[21] Anama vs. CA, et. al., G.R. No. 187021, January 25, 2012

[22] Buac vs. Commission on Elections, 421 SCRA 92.

[23] R.V. Marzan Freight, Inc. vs. Court of Appeals, 424 SCRA 596.

[24] Pilipinas Shell Petroleum Corporation vs. Commissioner of Customs, G.R. No. 176380, June 18, 2009.

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.