

PLYWOOD INDUSTRIES, INC., PETITIONER, VS. JOSE ARANAS, AS COLLECTOR OF INTERNAL REVENUE, RESPONDENT.*G.R. No. L-16466. March 31, 1964*

Ponente: MAKALINTAL, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/a51e52e70bb8/>**MAKALINTAL, J.:**

Petitioner is a domestic corporation engaged in the manufacture of plywood panels and veneer sheets. On 27 December 1951 it obtained a tax exemption in respect to the manufacture of plywood panels, pursuant to Republic Act No. 35. The exemption was subsequently extended to 31 December 1958, pursuant to Republic Act No. 901. On 21 February 1955 the Secretary of Finance, upon petitioner's request, granted a similar exemption in respect to the manufacture of veneer sheets for export.

When it was organized in 1951 petitioner entered into an agreement with the Sta. Clara Lumber Company, a sister corporation operating timber concessions near its factory site, whereby the latter supplied the logs needed for the manufacture of petitioner's products. In 1953 and again in 1955 petitioner acquired its own timber concessions from the Bureau of Forestry. Thereafter the logs cut from those concessions were used in the making of its plywood panels and veneer sheets.

From 1953 to 1957 petitioner paid forest charges in the amount of P159,025.40 on logs removed from its concessions. In 1957 it twice requested the refund of the said amount on the ground that forest charges are taxes within the meaning of Republic Act 901 and hence covered by the exemptions it had been granted. The requests were denied by respondent (Collector) now Commissioner of Internal Revenue, as was also a motion for reconsideration of the order of denial, whereupon petitioner appealed to the Court of Tax Appeals.

On 21 November 1959 the said Court affirmed respondent's decision, hence the instant petition for review.

The Tax Court ruled itself without jurisdiction over petitioner's claim for refund of the sum of P70,795.40 out of the total amount of forest charges it had paid, on the ground that said sum was paid beyond the two-year period prescribed in Section 306 of the Internal Revenue Code, construing the provision to mean that only those charges paid within two years prior to the filing of the petition for review of respondent's decision (in this case on 21, November 1957) could be the subject of such petition. Petitioner assails this ruling as erroneous. In our opinion, however, the point is of no importance.

The issue upon which the present controversy turns is whether or not forest charges are taxes within the preview of the exemptions granted to petitioner. Section 1 of Republic Act No. 901 (which is similar to Section 1 of Republic Act No. 35 except as to the duration of the exemption authorized) provides:

"Any person, partnership, company or corporation who or which subsequent to the approval of this Act, shall engage in a new and necessary industry shall be entitled to exemption until December thirty-one nineteen hundred and fifty-eight from payment of all taxes directly payable by such person, partnership, company or corporation in respect to said industry. x x x"

In order that a tax may be included in the exemption it must be shown: (1) that the tax is an internal revenue tax; (2) that it is payable by a person, partnership, company or corporation engaged in a new and necessary industry; and (3) that it is directly payable in respect to said industry.

The third requisite is wanting in the case of petitioner. The forest charges paid by it were not paid in respect to the new and necessary industry in which it was engaged, namely, the manufacture of plywood panels and veneer sheets but for the privilege granted to it by the government to exploit natural resources in the public domain. They were paid by petitioner for operating its timber concessions, which were not essential to the maintenance of its plywood factory. It is one thing to say that logs are necessary for the manufacture of plywood and veneer sheets and quite another thing to claim the same necessity for the operation of a concession from which such logs may be taken. Proof of this is the fact that petitioner established and was operating its plywood factory even before it acquired its timber concessions, as well as the fact that many concessions exist independent entry, of the needs of the industry of plywood manufacture.

The very same issue now presented to us has already been settled in another case decided in 1960 (*Collector of Internal Revenue vs. Lacson*, G.R. No. 12945), where we said:

"We cannot be charged with having split respondent's business into two when we state that it is engaged in the separate and distinct business of forest concession and manufacture of plywood and veneer. Logs and lumber certainly are necessary to the manufacture of plywood but the operation of a forest concession, for the purpose of obtaining the required lumber, is certainly not indispensable for the manufacture of plywood and veneer. The manufacture of said plywood can have his supply of lumber by purchasing the same from other forest concessionaires (who are of course liable for forest charges) Of course, it would be more profitable for the manufacturer were it to operate its own lumber mills and to have its own forest concession. This way, it would cut down on its expenses (in the manufacture of plywood) by eliminating the factors that go into the purchase of lumber and logs from other forest concessionaires."

For the reasons aforesaid and on the authority of the decision just cited, we find that the forest charges in question are not included in the tax exemptions granted to petitioner. With this view we take of the case, it is unnecessary to pass upon the other issues raised by petitioner.

The decision appealed from is affirmed, with costs.

Bengzon, C. J., Padilla, Bautista Angelo, Labrador, Concepcion, Reyes, J. B. L., Barrera, Paredes, Dizon, and Regala, JJ., concur.

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.