

**CRISPIN PENID, VICENTE RAPADA, CATALINO TUMANGGUIL AND
RUFINO AGCAOILI, PETITIONERS, VS. HON. CESAR VIRATA, IN HIS
CAPACITY AS SECRETARY OF FINANCE AND HON. EFREN I. PLANA,
IN H...**

G.R. No. L-44004. March 25, 1983

Ponente: ESCOLIN, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/b3c944701a18/>

ESCOLIN, J.:

This petition calls for a determination of the amount which petitioners are entitled to as reward under Section 1 of Republic Act No. 2338, an Act providing for reward to informers of violations of Internal Revenue and Customs laws.

The pertinent facts are the following: On March 8, 1962, petitioners, through a sworn statement filed as Confidential Information No. 28 of the Bureau of Internal Revenue [BIR][1], informed then BIR Commissioner, Hon. Misael Vera, of underpayment of the 2% common carriers percentage tax by 27 shipping companies and agents listed therein. It was specifically alleged that these shipping companies and agents had been declaring their gross dollar earnings on the basis of the parity rate of P2.00 to US\$1.00, in violation of the conversion rate fixed by the Central Bank in 1960, thereby defrauding the Philippine government of millions of pesos in taxes.

The case was referred for investigation to BIR Examiner Guillermo Cadutan who interviewed petitioners. In the course thereof, petitioners further divulged that the erroneous conversion of the gross dollar receipts from US dollar to Philippine peso was a common practice not only on the part of the shipping companies listed in Confidential Information No. 28, but also of other shipping companies operating in the Philippines.

Acting on this disclosure, the BIR, starting March 30, 1962, deployed its agents to investigate, inspect and verify the books and records of all shipping companies and agents operating in the Philippines. In December 1962, the BIR assessed certain shipping companies for deficiency taxes on their dollar earnings computed at the rate of P3.10 to US\$1.00 in accordance with applicable Central Bank circulars. One of the shipping companies thus assessed was Pan Fil Co. Inc., a firm not mentioned in the sworn statement filed by petitioners.

Collection of said deficiency taxes was, however, held in abeyance pending resolution of the protest filed by Royal Inter-ocean Lines with the Court of Tax Appeals on February 11, 1963. Meanwhile, the shipping companies continued paying their percentage taxes on the basis of the P2.00 to US\$1.00 exchange rate until November 5, 1965 when the Central Bank lifted the exchange control and fixed the dollar conversion rate at P3.65 to US\$1.00.

On September 24, 1966, the Court of Tax Appeals rendered a decision, sustaining the procedure used by Royal Inter-ocean Lines, Inc. in computing its dollar earnings into Philippine peso. Upon appeal by the BIR Commissioner, however, this Court reversed the decision of the Court of Tax Appeals in *Commissioner of Internal Revenue v. Royal Inter-ocean Lines, Inc.*[2] where We held that revenues derived from foreign exchange

transactions should be taxed by computing the taxpayer's receipts at the prevailing free market rate of the Philippine peso to the US dollar and not on the parity rate of P2.00 to US\$1.00.

Consequently, the BIR collected from said shipping companies deficiency taxes corresponding to the period from 1957 to November 5, 1965 in the amount of P4,178,167.54. Included in this figure is the amount of P216,846.00 paid by Pan Fil Co. Inc.

Thereafter, petitioners filed with the Commissioner a claim for 25% of the total revenue collected [P4,178,167.54] as the reward due them under Section 1 of RA No. 2338. Finding the claim of petitioners to be in accordance with law, Commissioner Vera endorsed the same to respondent Secretary [now Minister] of Finance for approval.

Notwithstanding said endorsement, respondent Secretary, in his 3rd Indorsement dated October 29, 1971, set petitioners' reward to 25% of those deficiency collections corresponding only to the period covered by Confidential Information No. 28, i.e., from 1960 to March 8, 1962, for the reason that:

"1) The extent of the valid application for reward purposes of the information on the violations commenced in 1960 ceased from the moment the BIR took official notice and possession thereof on March 8, 1962. The statutory benefits to be derived from deficiency taxes paid for the corresponding period should accrue to the informers, otherwise, would not inure had not the BIR been derelict in the performance of its duties.

"2) After the Bureau's cognizance, the information lost furtive significance and exclusive effectiveness. A contrary interpretation would in effect accord the informers vested rights to all other related and subsequent actions already falling within the scope of its inherent functions."

Respondent Secretary further deducted from the total collection the amount of P216,846.04 paid by Pan Fil Co. Inc., the latter not having been cited by petitioners in Confidential Information No. 28. Thus, petitioners' reward under the aforementioned guideline set by respondent Secretary amounted only to 25% of P1,188,818.19 or P297,204.55.

After receipt of said amount, petitioners filed with respondent Secretary a request for reconsideration of his decision. Unable to obtain a favorable judgment, petitioners brought the matter to the Office of the President, with, however, the same result.

As their last recourse, petitioners now seek redress from this Court thru this original action for certiorari and mandamus, raising as issues the following:

"FIRST: Whether or not the amount of P216,846.04 collected from Pan Fil Co. Inc., a firm not listed in Confidential Information No. 28, but whose liability for the 2% common carrier's tax was discovered as a result of petitioners' disclosure during the interview, should be included in computing the 25% reward?

"SECOND: Whether or not respondent Secretary was correct in computing the reward due petitioners on the basis of the alleged period covered by Confidential Information No. 28, thereby resulting in the exclusion of deficiency collections totalling P2,989,349.35, corresponding to the periods 1957-1959 and March 9, 1962 to 1965."

We agree with petitioners that the deficiency taxes collected from Pan Fil Co. Inc., should be included in the computation of their reward.

Section 1 of Republic Act No. 2338, relied upon by petitioners, provides:

"SECTION 1. Any person, except internal revenue or customs officials or employees, or other public officials or his relative within the sixth degree of consanguinity, who voluntarily gives definite and sworn information, stating the facts constituting as grounds for such information not yet in the possession of the BIR or the Bureau

of Customs, leading to the discovery of frauds upon the internal revenue or customs laws, or violation of any of the provisions thereof, thereby resulting in the recovery of revenues, surcharges and fees and/ or the conviction of the guilty party, and/or the imposition of any fine or penalty, shall be rewarded in a sum equivalent to twenty-five percentum of the revenues, surcharges or fees recovered and/or fine or penalty imposed and collected. . . ."

The rule implementing the aforequoted provision is Section 4 of Finance Regulation No. 1 of the Department [now Ministry] of Finance, which states that:

"SECTION 4. Result of the Information Which Deserves Reward.— In order to entitle an informer to a reward, the information given by him must lead to or be instrumental in the discovery of the fraud or violation of any of the provisions of the Internal Revenue or Tariff and Customs Law, and results in the recovery or collection of revenues, surcharges and fees and/or the conviction of the guilty party, and/or the imposition of any fine or penalty or the collection of compromise in case of amicable settlement."

In essence, what is vital under the above-cited legislation and its implementing rule is that the information given had led to or had been instrumental "in the discovery of the fraud upon or violation of any of the provisions of the Internal Revenue or Tariff and Customs Law," and that such discovery resulted in the recovery or collection of revenues, surcharges and fees.

During the interview conducted by BIR Examiner Guillermo Cadutan, petitioners categorically asserted that the erroneous conversion of gross receipts was being committed not only by the shipping companies listed in Confidential Information No. 28, but likewise by other firms not specifically indicated therein. On the strength of this information, the BIR undertook an investigation of all shipping companies and agents. That this was the case is admitted by no less than Commissioner Vera himself in his 2nd Endorsement dated October 11, 1971,[3] which he issued in response to the query of respondent Secretary as to why the amount recovered from Pan Fil Co. Inc. was included in the computation of petitioners' reward. Thus:

"Upon receipt of the confidential information on March 8, 1962, the same was referred to an examiner of this Office who interviewed the above-named informers. In the course of the interview, it was disclosed that erroneous conversion of gross receipts from US dollar to Philippine peso for percentage tax was committed not only by the foreign shipping companies enumerated in the confidential information but also by other companies not specifically enumerated therein. Hence, this Office investigated all the ship agents and foreign shipping companies concerned including those not mentioned in the confidential information. It is for this reason that the foreign shipping companies represented by Pan Fil Co. Inc. which is not mentioned in the confidential information were investigated and subsequently assessed the deficiency 25% common carriers tax based on the findings of erroneous conversion of gross receipts."

The inclusion of Pan Fil Co. Inc., among the firms investigated, was the direct, logical and necessary consequence of the information given by petitioners during their interview by BIR Examiner Cadutan. Because of said information, the probe was extended to other companies and agents not listed in Confidential Information No. 28. Indeed, it was the information given by petitioners during the interview that led to the discovery of the erroneous method of computation practised by Pan Fil Co. Inc., a firm not listed in Confidential Information No. 28, and which resulted in the ultimate recovery by the government of a substantial, albeit unexpected, income. Clearly then, the inclusion of the amount paid by Pan Fil Co. Inc., in the computation of petitioners' reward lies within the intendment and scope of the law.

To sustain the contrary position of respondent Secretary would constitute a derogation of the basic tenet in both American and Philippine jurisprudence that statutes offering rewards must be liberally construed in favor of informers and with regard to the purpose for which they are intended, with mere technicality yielding to the

substantive purpose of the law. Otherwise, the government would lose a positive and effective means of checking the anomalies that are committed to the detriment of the finances of the state.[4]

The next question to be resolved is whether or not petitioners are entitled to a share in the taxes which accrued after 1962. It is Our considered view that to allow petitioners 25% of such revenue would be stretching the law too far. Note must be taken of the fact that the direct consequence of petitioner's information was the assessment against the various shipping companies sometime in December 1962. Thereafter until 1965, the shipping agents and companies continued to remit to the BIR their common carrier taxes on the basis of the parity rate of P2.00 to US\$1.00. But this was done to maintain the status quo pending resolution of the protest filed with the Court of Tax Appeals by the Royal Inter-ocean Lines, Inc., and not because of the wilful desire on the part of these shipping companies to violate the law.

The delay in the collection of deficiency taxes for the period from 1963 to 1965, therefore, was due to the pendency of the said protest case.

Viewing the question from a different perspective, had no protest been lodged by Royal Inter-ocean Lines, Inc., the common carriers would have paid their deficiency taxes in 1962 and petitioners would then have been paid their corresponding reward. Had that happened, the petitioners' claim to any share in the revenues collected after 1962 would be clearly unjustified.

As it is, We see no reason why petitioners, should be entitled to more than what is rightfully due them under the law.

WHEREFORE, the decision of the respondent Secretary dated October 29, 1971 is hereby modified in the sense that petitioners are adjudged entitled to 25% of the revenues collected from the Pan Fil Co. Inc.; but their claim for reward in the taxes which accrued after 1962 is denied.

SO ORDERED.

Makasiar (Chairman), Concepcion, Jr., Guerrero, Abad Santos and De Castro, JJ., concur.
Aquino, J., is on leave.

[1] Annex A, pp. 16-18, Rollo.

[2] 34 SCRA 9.

[3] Annex D, Rollo, p. 26.

[4] 46 Am. Jur. 112; Rubic v. Auditor General, 100 Phil. 772.

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.