

COMMISSIONER OF CUSTOMS, PETITIONER, VS. ESSO STANDARD EASTERN, INC., (FORMERLY: STANDARD-VACUUM REFINING CORP. (PHIL.)), RESPONDENT.

G.R. No. L-28329. August 07, 1975

Ponente: ESGUERRA, J.

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ESGUERRA, J.:

Appeal from the decision of the Court of Tax Appeals reversing the Commissioner of Customs' decision holding respondent ESSO Standard Eastern, Inc., (formerly the Standard-Vacuum Refining Corporation (Phil.) and hereinafter referred to as ESSO) liable in the total sum of P775.62 as special import tax on certain articles imported by the latter under Republic Act No. 387, otherwise known as the Petroleum Act of 1949.

Respondent ESSO is the holder of Refining Concession No. 2, issued by the Secretary of Agriculture and Natural Resources on December 9, 1957, and operates a petroleum refining plant in Limay, Bataan. Under Article 103 of Republic Act No. 387 which provides: "During the five years following the granting of any concession, the concessionaire may import free of customs duty, all equipment, machinery, material, instruments, supplies and accessories," respondent imported and was assessed the special import tax (which it paid under protest) on the following separate importations:

- One carton, scientific instruments with C & F value of \$163.59; assessed a special import tax in the amount of P31.98 (Airport Protest No. 10);
- One carton of recorder parts with C & F value of \$221.56; assessed special import tax in the amount of P43.82 (Airport Protest No. 11);
- One carton of valves with C & F value of \$310.58; assessed special import tax in the amount of P60.72 (Airport Protest No. 12);
- One box of parts for Conversion Boilers and Auxiliary Equipment with C & F value of \$2,389.69; assessed special import tax in the amount of P467.00 (Airport Protest No. 15);
- One carton of X-ray films with C & F value of \$132.80; assessed special import tax in the amount of P26.00 (Airport Protest No. 16); and
- One carton of recorder parts with C & F value of \$750.39; assessed special import tax in the amount of P147.00 (Airport Protest No. 17)[1]

The Collector of Customs on February 16, 1962, held that respondent ESSO was subject to the payment of the special import tax provided in Republic Act No. 1394, as amended by R.A. No. 2352, and dismissed the protests.[2]

On March 1, 1962, respondent appealed the ruling of the Collector of Customs to the Commissioner of Customs who, on March 19, 1965, affirmed the decision of said Collector of Customs.[3]

On July 2, 1965, respondent ESSO filed a petition with the Court of Tax Appeals for review of the decision of the Commissioner of Customs.

The Court of Tax Appeals, on September 30, 1967, reversed the decision of herein petitioner Commissioner of Customs and ordered refund of the amount of P775.62 to respondent ESSO which the later had paid under protest.[4]

This decision of the Court of Tax Appeals is now before this Court for review.

Petitioner contends that the special import tax under Republic Act No. 1394 is separate and distinct from the customs duty prescribed by the Tariff and Customs Code, and that the exemption enjoyed by respondent ESSO from the payment of customs duties under the Petroleum Act of 1949 does include exemption from the payment of the special import tax provided in R.A. No. 1394.[5]

For its stand petitioner puts forward this rationale:

"A perusal of the provisions of R.A. No. 1394 will show that the legislature considered the special import tax as a tax distinct from customs duties as witness the fact that Section 2(a) of the said law made separate mention of customs duties and special import tax 'when it provided that ... if as a result of the application of the schedule therein the total revenue derived from the customs duties and from the special import tax on goods, x x x imported from the United States is less in any calendar year than the proceeds from the exchange tax imposed under Republic Act Numbered Six Hundred and One, as amended, on such goods, articles or products during the calendar year 1955, the President may, by proclamation, suspend the reduction of the special import tax for the next succeeding calendar year x x x.

"If it were the intention of Congress to exempt the holders of petroleum refinery concessions like the protestant (respondent herein), such exemption should have been clearly stated in the statute. Exemptions are never presumed. They must be expressed in the clearest and most unambiguous language and not left to mere implication."[6]

Specifically, petitioner in his brief submitted two assignment of errors allegedly committed by the Court of Tax Appeals in the controverted decision, to wit:

1st assignment of error:

THE COURT OF TAX APPEALS ERRED IN HOLDING THAT THE TERM "CUSTOMS DUTY" IN ARTICLE 103 OF REPUBLIC ACT NO. 387

INCLUDES THE SPECIAL IMPORT TAX IMPOSED BY REPUBLIC ACT NO. 1394:

2nd assignment of error:

THE COURT OF TAX APPEALS ERRED IN HOLDING THAT EXEMPTION FROM PAY-MENT OF CUSTOMS DUTIES UNDER REPUBLIC

ACT NO. 387 INCLUDES EXEMPTION FROM PAYMENT OF THE SPECIAL IMPORT TAX.

On the other hand, the Court of Tax Appeals rationalized the ground for its ruling thus:

"If we are to adhere, as we should, to the plain and obvious meaning of words in consonance with settled rules of interpretation, it seems clear that the special import tax is an impost or a charge on the importation or bringing into the Philippines of all goods, articles or products subject thereto, for the phrase "import tax on all goods, articles or products imported or brought into the Philippines" in explicit and unambiguous terms simply taxes assessed on merchandise imported from, or exported to, a foreign country.

"And being a charge upon importation, the special import tax is essentially a customs duty, or at least partakes of the character thereof."

Citing numerous American decisions and definitions of the terms "customs duties," "duties", "imposts," "levies", "tax," and "tolls," and their distinctions, including some pronouncements of this Court on the subject, the Court of Tax Appeals in its decision, went to great lengths to show that the term "special import tax" as used in R.A. No. 1394 includes customs duties. It sees the special import tax as nothing but an impost or a charge on the importation or bringing into the Philippines of goods, articles or products.[7]

To clinch its theory the Court of Tax Appeals cited the similarity in the basis of computation of the customs duty as well as the similarity in the phraseology of Section 3 of Republic Act No. 1394 (which establishes the special import tax) and section 201 of the Tariff & Customs Code (the basic law providing for and regulating the imposition of customs duties and imposts on duties and imposts on importations).[8]

For its part, private respondent, ESSO, in its answer to the petition, leaned heavily on the same arguments as those given by the Tax Court, the burden of which is that the special import tax law is a customs law.[9]

It is clear that the only issue involved in this case is whether or not the exemption enjoyed by herein private respondent Standard Eastern, Inc. from customs duties granted by Republic Act No. 387, or the Petroleum Act of 1949, should embrace or include the special import tax imposed by R.A. No. 1394, or the Special Import Tax Law.

We have examined the records of this case thoroughly and carefully considered the arguments presented by both parties and We are convinced that the only thing left to this Court to do is to determine the intention of the legislature through interpretation of the two statutes involved, i e., Republic Act No. 1394 and Republic Act No. 387.

It is a well accepted principle that where a statute is ambiguous, as Republic Act No. 1394 appears to be, courts may examine both the printed pages of the published Act as well as those extrinsic matters that may aid in construing the meaning of the statute, such as the history of its enactment, the reasons for the passage of the bill and purposes to be accomplished by the measure.[10]

Petitioner in the first assignment of error took exception to the finding of the Court of Tax Appeals that "The language of Republic Act No. 1394 seems to leave no room for doubt that the law intends that the phrase 'Special import tax' is taken to include customs duties" and countered with the argument that "An examination of the provisions of Republic Act No. 1394 will indubitably reveal that Congress considered the special import tax as a tax different from customs duties, as may be seen from the fact that Section 2(a) of said law made separate mention of customs duties and special import tax..." Thus:

"x x x if as a result of the application of the schedule therein the total revenue derived from the customs duties and from the special import tax on goods, x x x imported from the United States is less in any calendar year than the proceeds from the exchange tax imposed under Republic Act Numbered Six Hundred and One, as amended, on such goods, articles or products during the calendar year 1955, the President may by proclamation, suspend the reduction of the special import tax for the next succeeding calendar year x x x"

Petitioner further argues:

"Customs duties are prescribed by the Tariff and Customs Code, while the special import tax is provided for by Republic Act No. 1394. If our legislature had intended to classify the special import tax as customs duty, the said Act would not have expressly exempted from payment of the special import tax importations of machinery, equipment, accessories, and spare parts for use of industries, without distinguishing whether the

industries referred to are the industries exempt from the payment of customs duties or the non-exempt ones (Sec. 6). It is sufficient that the imported machinery, etc., is for the use of any industry.”[11]

A study of petitioner's two assignment of errors shows that one is anchored on practically the same ground as the other: both involve the interpretation of R.A. No. 387 (The Petroleum Act of 1949) in relation with R.A. No. 1394 (The Special Import Tax Law).

While the petitioner harps on particular clauses and phrases found in the two cited laws, which in a way was likewise resorted to by the respondent ESSO, it would do Us well to restate the fundamental rule in the construction of a statue.

In order to determine the true intent of the legislature, the particular clauses and phrases of the statute should not be taken as detached and isolated expressions, but the whole and every part thereof must be considered in fixing the meaning of any of its parts. In fact every statute should receive such construction as will make it harmonize with the pre-existing body of laws. Antagonism between the Act to be interpreted and existing or previous laws is to be avoided, unless it was clearly the intention of the legislature that such antagonism should arise and one amends or repeals the other, either expressly or by implication.

Another rule applied by this Court is that the courts may take judicial notice of the origin and history of the statutes which they are called upon to construe and administer, and of facts which affect their derivation, validity and operation.[12]

Applying the above stated rules and principles, let us consider the history, the purpose and objectives of Republic Act No. 387 as it relates to Republic Act No. 1394 and other laws passed by the Congress of the Philippines insofar as they relate to each other.

Republic Act No. 387, the Petroleum Act of 1949, has this for its title, to wit:

AN ACT TO PROMOTE THE EXPLORATION, DEVELOPMENT, EXPLOITATION, AND UTILIZATION OF THE PETROLEUM RESOURCES OF THE PHILIPPINES; TO ENCOURAGE THE CONSERVATION OF SUCH PETROLEUM RESOURCES; TO AUTHORIZE THE SECRETARY OF AGRICULTURE AND NATURAL RESOURCES TO CREATE AN ADMINISTRATION UNIT AND A TECHNICAL BOARD IN THE BUREAU OF MINES; TO APPROPRIATE FUNDS THEREFOR; AND FOR OTHER PURPOSES.

Art. 103 of said Act reads:

"ART. 103. Customs duties. — During the five years following the grating of any concessions, the concessionaire may import free of customs duty, all equipment, machinery, material, instruments, supplies and accessories.

“XXXXXXXXXXXXXXXXXXXX

Art. 102 of the same law insofar as pertinent, provides:

"ART. 102. Work obligations, taxes, royalties not to be charged. x x x; nor shall any other special taxes or levies be applied to such concessions, nor shall concessionaires under this Act be subjected to any provincial, municipal, or other local taxes or levies; nor shall any sales tax be charged on any petroleum produced from the concession or portion thereof, manu

factured by the concessionaire and used in the working of his concession. x x x"

Art. 104, still of the same Act, reads:

"ART. 104. No export tax to be imposed. — No export tax shall be levied upon petroleum produced from

concessions granted under this Act."

The title of Republic Act No. 387 and the provisions of its three articles just cited give a clue to the intent of the Philippine legislature, which is to encourage the exploitation and development of the petroleum resources of the country. Through the instrumentality of said law, it declared in no uncertain terms that the intensification of the exploration for petroleum must be carried on unflinchingly even if, for the time being, no taxes, both national and local, may be collected from the industry. This is the unequivocal intention of the Philippine Congress when the language of the Petroleum Act is examined. Until this law or any substantial portion thereof is clearly amended or repealed by subsequent statutes, the intention of the legislature must be upheld.

Against this unambiguous language of R.A. No. 387, there is the subsequent legislation, R.A. No. 1394, the Special Import Tax Law, which, according to the herein petitioner, shows that the legislature considered the special import tax as a tax distinct from customs duties.

Republic Act No. 1394, otherwise known as the Special Import Tax Law, is entitled as follows:

AN ACT TO IMPOSE A SPECIAL IMPORT TAX ON ALL GOODS, ARTICLES OR PRODUCTS IMPORTED OR BROUGHT INTO THE PHILIPPINES, AND TO REPEAL REPUBLIC ACTS NUMBERED SIX HUNDRED AND ONE, EIGHT HUNDRED AND FOURTEEN, EIGHT HUNDRED AND SEVENTY-ONE, ELEVEN HUNDRED AND SEVENTY-FIVE, ELEVEN HUNDRED AND NINETY-SEVEN AND THIRTEEN HUNDRED AND SEVENTY-FIVE.

The title indicates unmistakably that it is repealing six prior statutes. As will be seen later, all these laws dealt with the imposition of a special excise tax on foreign exchange or other form of levy on importation of goods into the country.

Section 1 of Republic Act No. 1394 reads as follows:

"SECTION 1. Except as herein otherwise provided, there shall be levied, collected and paid as special import tax on all goods, articles, or products imported or brought into the Philippines, irrespective of source, during the period and in accordance with the rates provided for in the following schedule:

x x x x x x x x x x x x"

It would appear that by the provision of Section 1 of this Act, the pertinent provision of the Petroleum Law, for which there appears to be no proviso to the contrary, has been modified or altered.

Section 6 of Republic Act No. 1394 declares that the tax provided for in its Section 1 shall not be imposed against importation into the Philippines of machinery and/or raw materials to be used by new and necessary industries as determined in accordance with R.A. No. 901 and a long list of other goods, articles, machinery, equipment, accessories and others.

We shall now examine the six statutes repealed by R.A. No. 1394, namely:

R.A. No. 601 is an Act imposing a special excise tax of 17% on foreign exchange sold by the Central Bank or its agents. This is known as the Exchange Tax Law;

R.A. No. 814 amended Sections one, two and five and repealed Sections three and four of R.A. No. 601;

R.A. No. 871 amended Sections one and two of R.A. No. 601, as amended earlier by R.A. No. 814;

R.A. No. 1175 amended further Sections one and two of R.A. No. 601, as amended;

R.A. No. 1197 amended furthermore R.A. No. 601 as amended previously by R.A. No. 1175;

R.A. No. 1375 amended Sections one and two of R.A. No. 601 as amended by R.A. Nos. 1175 and 1197.

As can be seen from the foregoing, in one fell swoop, Republic Act No. 1394 repealed and revoked six earlier statutes which had something to do with the imposition of special levies and/or exemption of certain importations from the burden of the special import taxes or levies. On the other hand, it is apparent that R.A. No. 387, the Petroleum Act, had been spared from the pruning knife of Congress, although this latter law had granted more concessions and tax-exemption privileges than any of the statutes that were amended, repealed or revoked by R.A. No. 1394. The answer must be that the Congress of the Philippines saw fit to preserve the privileges granted under the Petroleum Law of 1949 in order to keep the door open to the exploitation and development of the petroleum resources of the country with such incentives as are given under that law.

This ascertained will and intention of the legislature finds a parallelism in a case brought earlier before this Court.

A fishpond owner was slapped with taxes as a "merchant" by the Collector of Internal Revenue. He paid under protest and filed an action to recover the taxes paid, claiming that he was an agriculturist and not a merchant. When this Court was called upon to interpret the provisions of the Internal Revenue Law on whether fish is an agricultural product which falls under the exemption provisions of said law, it inquired into the purpose of the legislature in establishing the exemption for agricultural products. We held:

"The first inquiry, therefore, must relate to the purpose the legislature had in mind in establishing the exemption contained in the clause now under consideration. It seems reasonable to assume that it was due to the belief on the part of the law-making body that by exempting agricultural products from this tax the farming industry would be favored and the development of the resources of the country encouraged...."[13]

Having this in mind, particularly the manner in which extrinsic aids, the history of the enactment of the statute and purpose of the legislature in employing a clause or provision in the law had been applied in determining the true intent of the lawmaking body, We are convinced that R.A. No. 387, The Petroleum Act of 1949, was intended to encourage the exploitation, exploration and development of the petroleum resources of the country by giving it the necessary incentive in the form of tax exemptions. This is the *raison d'être* for the generous grant of tax exemptions to those who would invest their financial resources towards the achievement of this national economic goal.

On the contention of herein petitioner that the exemptions enjoyed by respondent ESSO under R.A. No. 387 have been abrogated by R.A. No. 1394, We hold that repeal by implication is not favored unless it is manifest that the legislature so intended. As laws are presumed to be passed with deliberation and with full knowledge of all existing ones on the subject, it is logical to conclude that in passing a statute it was not intended to interfere with or abrogate any former law relating to the same matter, unless the repugnancy between the two is not only irreconcilable but also clear and convincing as a result of the language used, or unless the latter act fully embraces the subject matter of the earlier.[14]

As observed earlier, Congress lined up for revocation by Republic Act No. 1394 six statutes dealing with the imposition of special imposts or levies or the granting of exemptions from special import taxes. Yet, considering the tremendous amount of revenues it was losing under the Petroleum Law of 1949, it failed to include the latter statute among those it chose to bury by the Special Import Tax Law. The reason for this is very clear: The legislature wanted to continue the incentives for the continuing development of the petroleum industry.

It is not amiss to mention here in passing that contrary to the theory of the herein petitioner, R.A. No. 387 had not been repealed by R.A. No. 2352 which expressly abrogated Section 6 of R.A. No. 1394 but did not repeal any part of R.A. No. 387. Therefore, the exemption granted by Republic Act No. 387 still stands.

WHEREFORE, taking into consideration the weight given by this Court to the findings and conclusions of the Court of Tax Appeals on a matter it is well-equipped to handle, which findings and conclusions We find no reason to overturn, the petition of the Commissioner of Customs to reverse the decision of the Court of Tax Appeals should be, as it is hereby, denied.

No costs.

SO ORDERED.

Castro, Makasiar, Muñoz Palma, and Martin, JJ., concur.

- [1] Petition for Review, pp. 1-3, Rollo, pp. 1-3
- [2] *ibid.*, p. 3, Rollo p. 3
- [3] *Ibid.*, p. 3
- [4] *Ibid.*, pp. 3-4; Decision, Annex "A" Petition for Review, Rollo, pp. 9-25
- [5] *Ibid.*, p. 5; Rollo, p. 5
- [6] *Ibid.*, pp. 6-7; Rollo, pp. 6-7
- [7] Decision, pp. 8-11; Rollo, pp. 16-19
- [8] *Ibid.*, pp. 11-13
- [9] Answer to the Petition for Review, pp. 3-5; Rollo, pp. 29-31
- [10] Sutherland, Statutes and Statutory Construction, Vol. II, Section 2102, p. 9
- [11] Brief for the Petitioner, pp. 9-11 Rollo, p. 57
- [12] *U.S. v. De Guzman*, 30 Phil. 416
- [13] *Molina v. Rafferty*, 37 Phil. 545
- [14] *U.S. v. Palacio*, 33 Phil. 208

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