

THE COMMISSIONER OF CUSTOMS, PETITIONER, VS. MANILA STAR FERRY, INC., UNITED NAVIGATION & TRANSPORT CORPORATION, CEABA SHIPPING AGENCY, INC., AND THE COURT OF TAX APPEALS, RESPO...

G.R. Nos. L-31776-78. October 21, 1993

Ponente: QUIASON J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/c91156e76b4e/>

QUIASON J.:

This is a petition for review under Rule 44 of the Revised Rules of Court filed by the Commissioner of Customs to set aside the consolidated Decision dated September 30, 1969 of the Court of Tax Appeals in C.T.A. Cases Nos. 1836, 1837 and 1839, modifying his decision by ordering only the payment of a fine, in lieu of the forfeiture of private respondents' vessels used in the smuggling of foreign-made cigarettes and other goods.

Private respondents Manila Star Ferry, Inc. and the United Navigation & Transport Corporation are domestic corporations engaged in the lighterage business and are the owners and operators, respectively, of the tugboat Orestes and the barge-lighter UN-L-106. Private respondent Ceaba Shipping Agency, Inc. (Ceaba) is the local shipping agent of the Chiat Lee Navigation Trading Co. of Hongkong, the registered owner and operator of the S/S Argo, an ocean-going vessel.

On June 12, 1966, the S/S Argo, the Orestes and the UN-L-106, as well as two wooden bancas of unknown ownership, were apprehended for smuggling by a patrol boat of the Philippine Navy along the Explosives Anchorage Area of Manila Bay. The patrol boat caught the crew of the S/S Argo in the act of unloading foreign-made goods onto the UN-L-106, which was towed by the Orestes and escorted by the two wooden bancas. The goods consisted of 330 cases of foreign-made cigarettes, assorted ladies' wear, clothing material and plastic bags, all of which were not manifested and declared by the vessel for discharge in Manila. No proper notice of arrival of the S/S Argo was given to the local customs authorities.

Thereafter, seizure and forfeiture proceedings were separately instituted before the Collector of Customs for the Port of Manila against the S/S Argo (Seizure Identification Case No. 10009, Manila) and its cargo (S.I. No.10009-C, Manila), the Orestes (S.I. No. 10009-A, Manila), the UN-L-106 (S.I. No.10009-B, Manila) and the two bancas (S.I. No.10009-D, Manila), charging them with violations of Section 2530 (a), (b) and (c) of the Tariff and Customs Code. Criminal charges were likewise filed against the officers and crew of said vessels and watercraft.

In the seizure and forfeiture proceedings, the Collector of Customs rendered a consolidated decision dated December 27, 1966, declaring the forfeiture of said vessels and watercraft in favor of the Philippine government by virtue of Section 2530 (a) and (b) of the Tariff and Customs Code.

All respondents therein, except the owner of the two wooden bancas, separately appealed the consolidated decision of the Collector of Customs for the Port of Manila to the Commissioner of Customs. In his Decision

dated February 1, 1967, the Acting Commissioner of Customs found the Collector's decision to be in order and affirmed the same accordingly.

The same respondents separately elevated the matter to the Court of Tax Appeals (C.T.A. Cases Nos. 1836, 1837 and 1839), which in a consolidated decision dated September 30, 1989, substantially modified the decision of the Commissioner of Customs, stating thus:

"IN VIEW OF THE FOREGOING, the Manila Star Ferry, Inc., petitioner in C.T.A. Case No. 1836, and the United Navigation & Transport Corporation, petitioner in C.T.A. Case No. 1837, are each hereby ordered to pay a fine of five thousand pesos (P5,000.00) and Ceaba Shipping Agency, Inc., petitioner in C.T.A. Case No. 1839, a fine of ten thousand pesos (P10,000.00), within thirty days from the date this decision becomes final" (Rollo, p. 100).

It is this decision of the Court of Tax Appeals that is being questioned by the Commissioner of Customs before this Court.

On February 7, 1978, petitioner filed a Motion to Allow Sale of the Vessel (S/S Argo), informing this Court that the said vessel was deteriorating and depreciating in value, and was congesting the Cavite Naval Base where it was berthed. Petitioner prayed that it be allowed to sell the S/S Argo at the best possible price. The Court granted petitioner's motion.

An Urgent Motion for Modification was filed by respondent Ceaba, praying that it, instead of petitioner, be allowed to sell the S/S Argo through a negotiated sale and not a public sale. In a resolution dated May 12, 1978, this Court granted respondent Ceaba's motion, ordering it, however, to first pay the fine of P10,000.00 stated in the decision of the Commissioner of Customs and then "deposit the proceeds of the sale with a reputable commercial bank in an interest-bearing account in trust for whosoever will prevail in the cases at bar" (Rollo, p. 317). A manager's check in the amount of P10,000.00 was made payable to the Commissioner of Customs and was delivered by respondent Ceaba to the Cashier of the Supreme Court. In the Resolution of July 9, 1978, this payment was accepted, subject to the Court's decision in the Case (Rollo, p. 327). The S/S Argo was sold, with this Court's approval, for P125,000.00 to one Severino Caperlac. The proceeds were subjected to a charging lien of respondent Ceaba's attorneys in the amount of P315,000.00 (Rollo, p. 402).

The petition for review posits the theory that the subject vessels and watercraft were engaged in smuggling, and that the S/S Argo should be forfeited under Section 2530 (a), while the barge UN-L-106 and tugboat Orestes should be forfeited under Section 2530(c) of the Tariff and Customs Code.

Section 2530(a) and (c) of said law reads as follows:

"Sec. 2530. Property Subject to Forfeiture under Tariff and Customs Laws. - Any vessel or aircraft, cargo, articles and other objects shall, under the following conditions, be subject to forfeiture:

(a) Any vessel or aircraft, including cargo, which shall be used unlawfully in the importation or exportation of articles into or from any Philippine port or place except a port of entry; and any vessel which, being of less than thirty tons capacity shall be used in the importation of articles into any Philippine port or place except into a port of the Sulu sea where importation in such vessel may be authorized by the Commissioner, with the approval of the department head.

x x x x x x x x

(c) Any vessel or aircraft into which shall be transferred cargo unladen contrary to law prior to the arrival of the importing vessel or aircraft at her port of destination."

The penalty of forfeiture is imposed on any vessel, engaged in smuggling if the conditions enumerated in Section

2530 (a) are compresent.

These conditions are:

- (1) The vessel is "used unlawfully in the importation or exportation of articles into or from" the Philippines;
- (2) The articles are imported or exported into or from "any Philippine port or place, except a port of entry;" or
- (3) If the vessel has a capacity of less than 30 tons and is "used in the importation of articles into any Philippine port or place other than a port of the Sulu Sea, where importation in such vessel may be authorized by the Commissioner, with the approval of the department head."

There is no question that the vessel S/S Argo was apprehended while unloading goods of foreign origin onto the barge UN-L-106 and the tugboat Orestes, without the necessary papers showing that the goods were entered lawfully through a port of entry and that taxes and duties on said goods had been paid. The claim that the S/S Argo made an emergency call at the Port of Manila for replacement of crew members and had to stop at the Explosives Anchorage Area because it was carrying nitric acid, a dangerous cargo, cannot be upheld much less given credence by this Court. The facts found by the Court of Tax Appeals are in consonance with the findings of the Collector of Customs, and the Commissioner of Customs. Absent a showing of any irregularity or arbitrariness, the findings of fact of quasi-judicial and administrative bodies are entitled to great weight and are conclusive and binding on this Court. (*Feeder International Line, Pte., Ltd v. Court of Appeals*, 197 SCRA 842 [1991]; *Jaculina v. National Police Commission*, 200 SCRA 489 [1991]). Moreover, the Collector of Customs in S.I. No. 10009-C, Manila, ordered on July 28, 1966 the forfeiture of the subject cargo after finding that they were, in truth and in fact, smuggled articles (Rollo, p. 7). Respondent Ceaba did not appeal from said order and the same has become final.

In its decision, the Court of Tax Appeals held that while the S/S Argo was caught unloading smuggled goods in Manila Bay, the said vessel and the goods cannot be forfeited in favor of the government because the Port of Manila is a port of entry (R.A. 1937, Sec. 701).

The Commissioner of Customs argues that the phrase "except a port of entry" should mean "except a port of destination," and inasmuch as there is no showing that the Port of Manila was the port of destination of the S/S Argo, its forfeiture was in order.

We disagree.

Section 2530(a) in unmistakable terms provides that a vessel engaged in smuggling "in a port of entry" cannot be forfeited. This is the clear and plain meaning of the law. It is not within the province of the Court to inquire into the wisdom of the law, for indeed, we are bound by the words of the statute. Neither can we put words in the mouths of the lawmakers. *A verba legis non est recedendum*.

It must be noted that the Revised Administrative Code of 1917 from which the Tariff and Customs Code is based, contained in Section 1363(a) thereof almost exactly the same provision in Section 2530(a) of the Tariff and Customs Code, including the phrase "except a port of entry." If the lawmakers intended the term "port of entry" to mean "port of destination," they could have expressed facilely such intention when they adopted the Tariff and Customs Code in 1957. Instead of amending the law, Congress reenacted verbatim the provision of Section 1363 (a) of the Revised Administrative Code of 1917. Congress, in the very same Article 2530 of the Tariff and Customs Code, used the term "port of destination" in subsections (c) and (d) thereof. This is a clear indication that Congress is aware of the distinction between the two wordings.

It was only in 1972, after this case was instituted, when the questioned exception ("except a port of entry") in

Section 2530(a) of the Tariff and Customs Code was deleted by P.D. No. 74.

Nevertheless, although the vessel cannot be forfeited, it is subject to a fine of not more than P10,000.00 for failure to supply the requisite manifest for the unloaded cargo under Section 2521 of Code, which reads as follows:

"Sec. 2521. Failure to Supply Requisite Manifests. - If any vessel or aircraft enters or departs from a port of entry without submitting the proper manifest to the customs authorities, or shall enter or depart conveying unmanifested cargo other than as stated in the next preceding section hereof, such vessel or aircraft shall be fined in a sum not exceeding ten thousand pesos."

X X X X X X X X

The barge-lighter UN-L-106 and the tugboat Orestes, on the other hand, are subject to forfeiture under paragraph (c) of Section 2530 of the Tariff and Customs Code. The barge-lighter and tugboat fall under the term "vessel" which includes every sort of boat, craft or other artificial contrivance used, or capable of being used, as a means of transportation on water (R.A. No. 1937, Sec. 3514). Said section 2530(c) prescribes the forfeiture of any vessel or aircraft into which shall be transferred cargo unladen contrary to law before the arrival of the vessel or aircraft at her port of destination. Manila was not the port of destination, much less a port of call of the S/S Argo, the importing vessel. The S/S Argo left Hongkong and was bound for Jesselton, North Borneo, Djakarta and Surabaya, Indonesia; and yet it stopped at the Port of Manila to unload the smuggled goods onto the UN-L-106 and the Orestes.

Forfeiture proceedings are proceedings in rem (Commissioner of Customs v. Court of Tax Appeals, 138 SCRA 581 [1985] citing *Vierneza v. Commissioner of Customs*, 24 SCRA 394 [1968]) and are directed against the res. It is no defense that the owner, of the vessel sought to be forfeited had no actual knowledge that his property was used illegally. The absence or lack of actual knowledge of such use is a defense personal to the owner himself which cannot in any way absolve the vessel from the liability of forfeiture (Commissioner of Customs v. Court of Appeals, *supra*; *U.S. v. Steamship "Rubi"*, 32 Phil. 228, 239 [1915]).

WHEREFORE, the consolidated Decision dated September 30, 1969 of respondent Court of Tax Appeals in C.T.A. Cases Nos. 1836, 1837 and 1839 is MODIFIED as follows: (1) that the S/S Argo through respondent Ceaba Shipping Agency, Inc. is ordered to pay a fine of P10,000.00, to be satisfied from the deposit of the same amount by respondent Ceaba to the Cashier of this Court per Resolution of July 9, 1978; (2) that the Cashier of this Court is ordered to release the said amount for payment to the Commissioner of Customs, within thirty (30) days from the date this decision becomes final; and (3) the tugboat Orestes and the barge-lighter UN-L-106 of respondents Manila Star Ferry, Inc. and the United Navigation & Transport Corporation respectively, are ordered forfeited in favor of the Philippine Government.

SO ORDERED.

Cruz, (Chairman), Griño-Aquino, Davide, Jr., and Bellosillo, 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.