

CENTRAL AZUCARERA DE TARLAC, PETITIONER, VS. THE COLLECTOR OF INTERNAL REVENUE, ET AL., RESPONDENTS.

G. R. No. L-11092. September 30, 1958

Ponente: PARAS, C.J.

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PARAS, C.J.:

This is an appeal from the decision of the Court of Tax Appeals ordering the petitioner to pay the sum of P19,980 as specific tax on 75 drums of rectified alcohol.

It appears that on November 26 and 27, 1953, O'phir Drug & Cosmetic Manufacturing Co., of Northern Hills, Malabon, Rizal, under a previously secured authority from the respondent Collector of Internal Revenue, purchased from the petitioner 25,508.75 gauge liters and 9,183.15 gauge liters of denatured alcohol of the following formula:

"To every 100 gauge liters of ethyl alcohol of not less than 180 degrees proof, there shall be added two (2) liters of methanol and thirty five (35) cubic centimeters of uranin solution (0.25 grams of uranin to every 100 c.c. of water)."

A Denaturing Committee of the Bureau of Internal Revenue was formed to direct, control and supervise the denaturation of the above-mentioned alcohol.

Of the one hundred-seventy drums sold by the petitioner to O'phir Drug & Manufacturing Co., the Government intercepted eighty-seven and, upon examination of their contents, it was found that seventy-five drums contained rectified, and not denatured alcohol. Hence, specific tax in the amount of P19,980.00 was assessed against the petitioner on the contents of said seventy-five drums.

The petitioner does not dispute the finding of the N. B. I. chemist that the seventy-five drums in question contained rectified alcohol. While it is also not disputed that said alcohol came from the distillery of the petitioner, the latter contends it could not be held liable for specific tax upon alcohol denatured under the supervision of a lawfully constituted Denaturing Committee of the Bureau of Internal Revenue, and removed as such denatured alcohol upon authority of certificates of denaturation duly issued by said Committee.

The Court of Tax Appeals upheld the contention of the respondent Collector of Internal Revenue that the petitioner should have taken the necessary steps to determine "whether the denaturants supplied by O'phir Drug & Cosmetic Manufacturing Co. fully met the requirements set forth in Section 26, Part I, of the United States Denatured Alcohol Regulations; that it should have observed strict compliance with the requirements of law and regulations on the denaturation of alcohol; and that having failed in both cases, the petitioner should be liable for the consequent failure to denature said alcohol. The Court of Tax Appeals found the petitioner guilty of palpable violation, if not negligence, in the performance of its obligations under Section 64 of the Tax Code, the circular implementing said statutory provision, and the instruction of the Supervisor of Distilleries, because of the following uncontradicted acts: the denaturation process was held in the premises of the petitioner and not in a denaturing warehouse; it was done in individual drums; the remaining 80 drums in which the denaturants were

poured on November 25, 1953 were left for two days in the premises. The procedure observed by the Denaturing Committee in allowing all these acts was found to be highly irregular and improper.

As a licensed manufacturer of rectified and denatured alcohol, the petitioner is responsible for the quality of its products. It cannot escape responsibility by passing it over to the Denaturing Committee concerned primarily with the prevention of frauds on the revenue. The petitioner should have complied with the law and regulations bearing on the denaturation of alcohol.

We agree with the finding of the Court of Tax Appeals that the fact that the alcohol in the Instant case had been passed upon and rectified to by the Denaturing Committee as duly denatured, does not exempt the petitioner from paying the specific tax. It is a cardinal principle of law and well settled in jurisprudence that the government is not estopped by the neglect or omission of its officers or agents (*Bachrach Motor Co. vs. Uson*, 50 Phil. 981; *Pineda vs. Court of First Instance of Tayabas*, 52 Phil 803).

It follows, therefore, that since the alcohol in question is rectified and not denatured, the petitioner is liable for the payment of P19,980.00 as specific tax on the seventy-five drums of said alcohol.

The contention that the petitioner should be credited with the sum of P214.83 collected by the Collector of Internal Revenue as sales tax because specific tax and sales tax cannot be concurrently due on the same article, is not supported by sufficient evidence.

Wherefore, the decision appealed from is hereby affirmed with costs against the petitioner. So ordered.

Bengzon, Padilla, Montemayor, Reyes, A., Bautista Angelo, Labrador, Concepcion, Reyes, J. B. L., and Endencia, JJ., concur.

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