

THE COLLECTOR OF INTERNAL REVENUE, PETITIONER, VS. HON. EULOGIO RODRIGUEZ, JR., ETC., ET AL., RESPONDENTS.

G.R. No. 12783. March 25, 1961

Ponente: BAUTISTA ANGELO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-12783/>

BAUTISTA ANGELO, J.:

Petitioner seeks to review the decision of the Court of Tax Appeals holding that the push button auto radio and antenna are not parts and accessories of the car on which they are installed and ordering him to refund with interest to respondent the sum of P1,072.68 paid as compensating tax.

In 1955 respondent imported from the United States one Sedan Chevrolet (Bel Air) automobile for his personal use. The automobile was brought unboxed into the Philippines as an unaccompanied baggage and having the push button radio and antenna already installed therein. This vehicle was obtained by respondent from the Foreign Distributors Division, General Motors Corporation, as per Invoice No. 5-9267, dated February 21, 1955, the details of which may be summarized as follows:

One 1955 Chevrolet Bel Air 4-door Sedan Model

2403, Body Color Black cyclinder (unboxed)

\$1,671.30

Net Extra—

Directional Signal, Eye Glass, brakes, extra tires,

Kilo-speedo-meter, Power Steering, Power Glide

Transmission Low compression equipment

(itemization of price omitted)

420.94

Push Button Radio and Antenna

88.05

Block Wiring Junction

2.71

\$2,083.00

Petitioner, in determining the compensating tax, treated the entire amount of \$2,083.00 as the cost of the car and computed the tax as follows:

Cost

\$2,083.00

Freight

458.46

Arrastre

32.50

Consular Fee

5.00

Documentary Stamp

1.00

\$2,580.46

Compensating tax due thereon at 50%

P2,580.46

or

P5,160.92

Respondent, contending that the push button radio and antenna worth \$88.05 should not form part of the taxable base of the vehicle, filed on April 21, 1955 a claim for refund of the amount of P1,072.68. This represents the difference of the compensating tax already paid and the sum alleged by petitioner to be lawfully due (P1,507.73) had the tax been computed at 30% of the correct landed cost, after deducting the value of the auto radio and antenna which allegedly should be taxed separately at 7%. This claim and a subsequent request for reconsideration having been denied by petitioner, respondent filed a petition for review in the Court of Tax Appeals, which sustained respondent and ordered petitioner to refund the sum of P1,072.68, with interest from the date of payment.

The imposition of compensating tax is governed by section 190 of the National Internal Revenue Code which provides:

"All persons residing or doing Business in the Philippines, who purchase or receive from without the Philippines, any commodities, goods, wares or merchandise * * * shall pay on the total value thereof at the time they are received by such persons, including freight, postage, insurance, commission and all similar charges, a compensating tax equivalent to the percentage taxes imposed under this Title on original transactions effected by merchants, importers * * *."

In accordance with the foregoing provision, the rate of the tax that may be imposed under sections 184 (a) and 185(a) of the Tax Code would be as follows:

Automobile chassis and bodies, the selling price of
which exceed P5,000 but does not exceed P7,000 50%

Automobile chassis and bodies, the selling price of
which does exceed P5,000 30%

Both Sections 184 (a) and 185 (a) provide that:

"A sale of automobile shall * * * be considered to be a sale of the chassis and of the body together with parts and accessories with which the same are usually equipped."

If the auto radio and antenna are parts and accessories with which an automobile is usually equipped the value thereof of course would form part of the total landed cost of the automobile within the meaning of the law. But, before we proceed, what is the legal concept of the terms parts and accessories?

Our Tax Code does not define them and because the issue is of first impression resort may be had to precedents in the United States. The following authorities cited by the Court of Tax Appeals may help us in our elucidation:

"The term 'part' (is) any article designed or manufactured for the special purpose of being used as, or to replace, a component part of such vehicle, and which by reason of some characteristic is not such a commercial article as ordinarily would be sold for general use, but is primarily adapted for use as a component part of such vehicle. (Universal Battery Co. vs. U. S. 281 U.S. 580, 74 L. Ed. 1051, 1055; Marvel Products Co. vs. U.S. 35 F. 2d 979, citing art. 15, Treas. Reg. No. 47; Italics supplied.)"

"The term 'accessory' (is) any article designed to be used in connection with such vehicle to add to its utility or ornamentation and which is primarily adapted for such use whether or not essential to the operation of the

vehicle.' (Universal Battery Co. vs. U.S. supra; Marvel Products Co., vs. U.S. 35 F 2d 979; Cune Engineering Corp. vs. U.S. 43 F 2d 259; 262, citing Art. 16, Treas. Reg. No. 47; Italics supplied.)"

Applying the foregoing interpretation we may say that contrary to the conclusion of the Court of Tax Appeals, the push button radio and antenna in question may be considered as component parts of the automobile bought by respondent for they were designed and made primarily for the use of said vehicle. Those are not the radio and antenna that are made and intended for sale for general use. In fact, when the automobile was bought by respondent from the General Motors Corporation they already formed part of the vehicle for they were installed therein as component parts thereof. Their price was included in the invoice issued for the automobile and is one of the items making up its total cost. At any rate, when respondent bought the automobile he bought it with the intent of making the radio and antenna in question as component parts of the automobile, a situation which makes this case fittingly come within the meaning of Sections 184 (a) and 185 (a) of our Tax Code.

Another factor that may be considered is the fact that this particular type of radio can only be made to operate with the use of the current supplied by the battery of the car. It cannot be made to operate with the use of the ordinary house current. Because of this distinguishing feature this radio cannot be advertised and sold for general use.

In the case of Masterbilt Products Corp. vs. U. S., (Ct. Cls) 42 F. Supp. 294, 28 AFTR 754, it was held that articles primarily adapted for use in motor vehicles are to be regarded as parts or accessories of such vehicle even though there has been some; other use of the articles for which they are not so well adapted. Thus, the plaintiff in said case was not allowed a refund of excise taxes paid under the 1932 and 1934 Acts on the manufacturing and selling of a combination cigarette lighter and dispenser primarily adapted and intended for use in motor vehicles even though the evidence showed that the devices could be made to work on a table, desk or ash receiver.

There is no dispute that the cars of yesteryears were not equipped with radio sets as indispensable devices or as necessary components thereof. But time has changed. The designers of modern cars, in order to keep abreast with the march of progress and with the tendency of adopting all sorts of attraction and convenience, seemed to find a void in a car not equipped with a radio or even with an air-conditioning unit, and so they thought of drawing up plans which make a radio an ordinary and usual equipment of any car coming out of their assembly plant. It is no longer unusual to see cars equipped with radios. The car in question is one especially built for this kind of comfort and convenience. It is an added attraction.

We are therefore of the opinion that the Court of Tax Appeals erred in ruling that the push button radio and antenna in question do not form part of the taxable base of the automobile for purposes of the computation of the compensating tax and must be taxed separately.

Wherefore, the decision of the Court of Tax Appeals is hereby reversed, and in lieu thereof we hereby affirm the decision of the Collector of Internal Revenue collecting from respondent the sum of P2,580.46 as 50% compensating tax on the landed value of the automobile in question pursuant to Section 190, in relation to Section 184 (a), of the National Internal Revenue Code. No costs.

Bengzon, Acting C. J., Padilla, Labrador, Concepcion, Reyes, J. B. L., Barrera, Paredes, and Dizon, 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.