

THE COLLECTOR OF INTERNAL REVENUE, PETITIONER, VS. MARIANO R. LACSON, RESPONDENT.

G.R. No. 12945. April 29, 1960

Ponente: PARAS, C.J.

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PARAS, C.J.:

Respondent is a lessee of a forest concession in Bayawan, Oriental Negros, under License No. 44, granted by the Secretary of Agriculture and Natural Resources. On June 24, 1953, he was granted a certificate of exemption from the payment of all taxes in connection, with the manufacture of veneer and plywood from Philippine woods, based on the provisions of Rep. Act No. 901.

From January, 1954 to August, 1955, respondent removed from the concession covered by License No. 44, 11,147.96 cubic meters of logs of which 7,059.96 cubic meters were used exclusively in the manufacture of veneer and plywood. In a letter dated December 19, 1955, petitioner demanded from respondent payment of the sum of P8,103.52 and P2,025.88 or a total of P10,129.40 as forest charges and surcharges claimed to be due on the 11,147.96 cubic meters of logs. Respondent claimed exemption from the payment of forest charges on logs used in the manufacture of plywood and veneer to view of the provisions of Section 1 of Republic Act No. 901. The only issue involved is whether or not forest charges come within the purview of the, tax exemption under Republic Act No. 901.

The Court of Tax Appeals ruled that respondent is not liable for the payment of the forest charges on those logs used by him in the manufacture of plywood and veneer, an industry exempted under Republic Act No. 901. The said court however confirmed petitioner's assessment against respondent in the amount of P3,707.35 representing forest charges and surcharges on logs exported abroad (to Japan).

Petitioner contests the jurisdiction of the Court of Tax Appeals over the instant case on the argument that the ultimate dispute in the same is over the power of the Secretary of Finance under Section 11 of Republic Act No. 901 to determine the scope and extent of the privilege of tax exemption granted to persons, partnerships, companies, or corporations who shall engage in a new and necessary industry.

Contrary to the Court of Tax Appeals opinion, petitioner believes that the tax exemption provided for in said Republic Act No. 901 is limited to those taxes directly payable by the manufacturer in respect to the manufacturer of veneer and plywood, clearly and specifically enumerated as follows:

" (1) The fixed and privileges tax on business;

" (2) The percentage tax on the sales of manufactured products in respect to which, exemptions is granted and on raw materials and supplies to be used exclusively in the manufacture of such products;

" (3) The compensating tax on machinery and equipment to be exclusively used in the new and necessary industry."

" (4) The documentary stamp tax; and

" (5) The income in respect to the net income derived from the exempted industry."

Petitioner contends that forest charges arising from the operation of a forest concession are not taxes as may be gleaned from the observation of the Tax Commission which recommend the enactment of the National Internal Revenue Code:

"Forest charges, though not properly taxes, are revised upward and the administrative provisions strengthened." (Report of Tax Commission, p. 10, Vol. I)

"Forest charges are to be distinguished from taxes. They are, strictly speaking, the price which the government charges for the privilege granted to concessionaires to exploit the public domain, rather than a tax imposed to support the general services of government. Since under the Constitution all timber lands in the public domain belong to the State, sound public policy demands that they be conserved or wisely exploited in order that the patrimony of the nation may not be impaired. The increasing production of lumber in recent years means both a more rapid depiction of our forest resources and increasing expenditures by the government for reforestation "which now amount to about half a million pesos a year." (Report of Tax Commission, p. 90, Vol. I)

The Court of Tax Appeals had jurisdiction over the instant case in view of the fact that the decision sought to be reviewed therefor is that of the Collector of Internal Revenue, dated December 19, 1955, regarding respondent's liability for forest charges and surcharges. The said court's conclusion regarding the limited grant of tax exemption by the Secretary of Finance is merely incidental to the principal issue, namely, the validity of the assessment by the Collector of Internal Revenue.

We cannot be charged with having split respondent's business into two when we state that it is engaged in the separate and distinct businesses of forest concession and manufacture of plywood and veneer. Logs and lumber certainly are necessary to the manufacture of plywood but the operation of a forest concession, for the purpose of obtaining the required lumber, is certainly not indispensable for the manufacture of plywood and veneer. The manufacturer of said plywood can have his supply of lumber by purchasing the same from other forest concessionaires (who are of course liable for forest charges). Of course, it would be more profitable for the manufacturer were it to operate its own lumber mills and to have its own forest concession. This way, it would cut down on its expenses (in the manufacture of plywood) by eliminating the factors that go into the purchase of lumber and logs from other forest concessionaires.

In conclusion, this Court sustains the dissenting opinion of Associate Judge Roman M. Umali and hereby orders the decision appealed from reversed. No pronouncement as to costs. So ordered.

Bengzon, Padilla, Montemayor, Bautista Angelo, Labrador, Concepcion, Endencia, Barrera, and Gutierrez David, JJ., concur.

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