

MITSUMI BUSSAN KAISHA, PLAINTIFF AND APPELLEE, VS. THE MANILA ELECTRIC RAILROAD AND LIGHT COMPANY, DEFENDANT AND APPELLANT.

G.R. No. 13753, February 15, 1919

Ponente: STREET, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-13753/>

STREET, J.:

Prior to December 23, 1914, the plaintiff corporation, Mitsui Bussan Kaisha, had contracted to sell large quantities of coal to the defendant, the Manila Electric Railroad and Light Company. Deliveries under this contract were made from time to time to meet the requirements of the defendant company from shipments arriving from Japan. The basic price fixed in the contract was P9.45 per long ton, but it was stipulated that the price was subject to modification "in proportion to variations in calories and ash content, and not otherwise." This means of course that the price could be made certain by the application of known factors (Civil Code, art. 1447), and for the purposes of this case it may be assumed that the price was fixed at P9.45 per long ton.

While extensive deliveries were still to be made under the contract above referred to, the Legislature, by Act No. 2432, passed December 23, 1914, imposed a specific tax of one peso per metric ton on coal. Shortly thereafter this Act was amended in certain respects by Act No. 2445; and in this later Act the following provision was inserted:

"Whenever any person has prior to the enactment of this law entered into a contract whereby he has bound himself to furnish another any article herein made subject to a specific tax or an increased rate of specific tax, the burden of said tax or increased rate of tax shall be borne by the person to whom said article is furnished pursuant to such contract, unless the parties have agreed or shall agree otherwise."

In the deficiency appropriation act of March 4, 1915 (see Public Laws of the Philippine Islands, vol. 10, p. 315), the Congress of the United States ratified the foregoing statute in the following language:

"The internal-revenue taxes imposed by the Philippine Legislature under the law enacted by that body on December twenty-third, nineteen hundred and fourteen (No. 2432), as amended by the law enacted by it on January sixteenth, nineteen hundred and fifteen (No. 2445), are hereby legalized and ratified, and the collection of all such taxes, heretofore or hereafter is hereby legalized, ratified and confirmed as fully to all intents and purposes as if the same had by prior Act of Congress been specifically authorized and directed."

In the period embracing the months from March to October, inclusive, of the year 1915, the plaintiff Company brought to Manila from Japan large quantities of coal amounting in all to 11,874.75 metric tons for delivery to the defendant company upon the contract above-mentioned. In order to effect the entrance of said coal, through the Bureau of Customs, at the port of Manila, it was necessary for the plaintiff company to pay the new internal-revenue tax imposed by Acts Nos. 2432 and 2445; and it did in fact pay in satisfaction, of said tax the aggregate sum of P11,874.75. The plaintiff then demanded reimbursement of said sum from the defendant, basing its claim upon the provision above quoted from Act No. 2445. The defendant: refused to accede to this demand, and the present action was instituted by the plaintiff to recover the amount so paid out by it. From a judgment

entered in favor of the plaintiff the defendant has appealed.

The case admittedly turns upon the interpretation of Act No. 2445 and in particular upon the meaning to be attributed to the words "unless the parties have agreed * * * otherwise." It is evident that the plaintiff, prior to the enactment of Act No. 2432, had entered into a contract whereby it bound itself to furnish to the defendant an article, coal, made subject by said Act to a specific tax. Therefore, by the express terms of the Act, the burden of the tax should be borne by the defendant, unless the parties had agreed otherwise.

It is insisted for the defendant that, inasmuch as the contract stated a fixed price per ton for the coal, the plaintiff was obligated to deliver the coal at that price and incidentally was bound to bear any expense necessary to enable it so to deliver the coal to the defendant. And it is admitted that by the terms of the original contract the plaintiff was bound to "deliver the coal on defendant's premises in Manila for a price of P9.45 per long ton, to be modified in proportion to variations in calories and ash content, and not otherwise." From this it is argued the parties had in effect agreed that the internal-revenue tax should be paid by the seller; and that the case is within the exception created by the closing words of the provision already quoted from Act No. 2445.

Notwithstanding the vigor and ability with which the point has been argued, we are unable to accept the interpretation which the appellant thus asks us to place upon the statute in question. We think that the words "unless the parties have agreed or shall agree otherwise" contemplate the case where express provision has been made with direct reference to the burden of such internal-revenue taxes as the Legislature might impose. The original contract contained no express provision on this point, and the parties made no contract with reference thereto after Act No. 2445 was passed. The case is, therefore, directly within the operative words of the provision quoted; and the seller is, in our opinion, relieved of the burden of the tax. It is true that, from the agreement of the plaintiff to deliver coal at a fixed price, there was to be deduced an implication to the effect that the plaintiff should bear all expenses necessary to enable it to fulfill the principal obligation; and without the aid of the amendatory statute the plaintiff would have been compelled to satisfy the tax in this case. But the very purpose of the words quoted was to evade the effect of this implication and to put the burden of the new tax on the purchaser in the absence of express stipulation to the contrary.

That the interpretation proposed would defeat the end which the Legislature had in view is obvious, for the very situation calling for relief from the burden of this new tax was that where a fixed price had been stated in contracts for future deliveries. The seller who had contracted to make deliveries in stated quantities at the current market price, and not at a fixed price, needed no relief, because immediately upon the imposition of the tax, the market price would necessarily rise and the seller would of course recoup the tax to which he would be liable by charging to the purchaser the increased current price. Evidently the only person whom the Legislature could have intended to relieve was the person who had bound himself to make deliveries at a fixed price. Nevertheless, the statute, in the words already quoted, recognizes the right of the interested parties to stipulate especially with reference to the burden of the tax, and where such a stipulation is inserted in the contract the parties are bound thereby.

The solution of the case is not in our judgment in any wise affected by the stipulation contained in the original contract to the effect that the price stated should be subject to modification in proportion to variations of the coal in calories and ash content and not otherwise. This provision has exclusive reference to the quality of the coal delivered, and has no other purpose than to supply a means of ascertaining the value of the coal by determining its utility in combustion. It has no bearing upon liability for the internal-revenue tax.

But it is said that the interpretation which we have adopted is objectionable in that the provision in question thereby becomes obnoxious to criticism as impairing the obligation of contracts; and it is correctly observed that

as between two feasible interpretations of any statute the court should adopt that which avoids the impairment of existing obligations. While the last proposition undoubtedly expresses a sound rule of interpretation, we do not think this a proper place for its application. In our opinion the language used in the enactment under consideration is so clear and the purpose of the Legislature so manifest that there is really no room for any legitimate process of construction. The language in question can operate only in one sense; and in this sense it must be given effect, if Valid.

Now, upon the point of the validity of the statute, there really can be no question, in view of the action of the Congress of the United States in legalizing it, by the enactment of the provision already quoted from the Deficiency Appropriation Act of March 4, 1915. In the absence of Congressional ratification two questions might have been raised, namely, (1) whether the provision under consideration impaired the obligation of existing contracts and (2) whether the tax imposed by the same provision had been levied consistently with the rule of uniformity; for it will be remembered that section 5 of the Philippine Bill contains the following restrictions upon legislative power in these Islands:

"No law impairing the obligation of contracts shall be enacted, and

"The rule of taxation in said Islands shall be uniform."

In view of the ratification and legalization of Acts Nos. 2432 and 2445 by the Congress of the United States, these questions become academic; and it is unnecessary here to decide or even to discuss them. The legislation of Congress is subject to neither of the restrictions abovementioned; and by Congressional ratification both these Acts acquired all the force of Congressional enactments. The ratifying clause appears to us clear, precise, and effective; and we think the ratification goes not only to the recognition of the validity of the tax on coal but also to its personal incidence, that is, the point as to the person by whom it should be paid.

Our interpretation of Act No. 2445 being such as we have already stated, it follows that the burden of the tax in question should be borne by the defendant, as the purchaser of the coal; and as the plaintiff has paid said tax to the amount stated in the complaint, it is entitled to recover said amount from the defendant, as money, paid to the use of the latter. The statute clearly contemplates that while the tax may be paid by the seller—as is the practice under our revenue system—the ultimate liability should, in such a case as that now under consideration, fall on the purchaser. The right of action in favor of the plaintiff to recover the money so paid out by it is, therefore, deducible by implication from the language of the statute itself. This, however, is unimportant, since by article 1158 of the Civil Code any person who makes payment for the account of another may, in any case, recover from the debtor the sum so paid out, at least in the extent to which the payment may have been beneficial to the debtor.

Our conclusion is that judgment was rightly entered in the trial court in favor of the plaintiff, for the sum of P11,874.75 with interest from August 21, 1917. Said judgment is accordingly affirmed, with costs. So ordered.

Arellano, C.J., Torres, Carson, Araullo, Malcolm, Avanceña, and Moir, JJ., concur.

Johnson, J., dissents.

Judgment affirmed.

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.