SAN PABLO MANUFACTURING CORPORATION, PETITIONER, VS. COMMISSIONER OF INTERNAL REVENUE,[] RESPONDENT.

G.R. NO. 147749. June 22, 2006

Ponente: CORONA, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-147749/

CORONA, J.:

In this petition for review under Rule 45 of the Rules of Court, San Pablo Manufacturing Corporation (SPMC) assails the July 19, 2000[1] and April 3, 2001 resolutions of the Court of Appeals in CA-G.R. SP No. 59139.

SPMC is a domestic corporation engaged in the business of milling, manufacturing and exporting of coconut oil and other allied products. It was assessed and ordered to pay by the Commissioner of Internal Revenue the total amount of P8,182,182.85[2] representing deficiency miller's tax and manufacturer's sales tax,[3] among other deficiency taxes,[4] for taxable year 1987. The deficiency miller's tax was imposed on SPMC's sales of crude oil to United Coconut Chemicals, Inc. (UNICHEM) while the deficiency sales tax was applied on its sales of corn and edible oil as manufactured products.

SPMC opposed the assessments but the Commissioner denied its protest. SPMC appealed the denial of its protest to the Court of Tax Appeals (CTA) by way of a petition for review docketed as CTA Case No. 5423.

In its March 10, 2000 decision, the CTA cancelled SPMC's liability for deficiency manufacturer's tax on the sales of corn and edible oils but upheld the Commissioner's assessment for the deficiency miller's tax. SPMC moved for the partial reconsideration of the CTA affirmation of the miller's tax assessment but it was denied.

SPMC elevated the case to the Court of Appeals via a petition for review of the CTA decision insofar as it upheld the deficiency miller's tax assessment. In its July 19, 2000 resolution, the appellate court dismissed the petition on the principal ground[5] that the verification attached to it was signed merely by SPMCï¿½s chief financial officer without the corporate secretary's certificate, board resolution or power of attorney authorizing him to sign the verification and certification against forum shopping. SPMC sought a reconsideration of the resolution but the same was denied. Hence, this petition.

Did the Court of Appeals err when it dismissed SPMC's appeal?

SPMC contends that its appeal should have been given due course since it substantially complied with the requirements on verification and certification against forum shopping. It insists on the liberal application of the rules because, on the merits of the petition, SPMC was not liable for the 3% miller's tax. It maintains that the crude oil which it sold to UNICHEM was actually exported by UNICHEM as an ingredient of fatty acid and glycerine, hence, not subject to miller's tax pursuant to Section 168 of the 1987 Tax Code.

For SPMC, Section 168 of the 1987 Tax Code contemplates two exemptions from the miller's tax: (a) the milled products in their original state were actually exported by the miller himself or by another person, and (b) the milled products sold by the miller were actually exported as an ingredient or part of any manufactured article by the buyer or manufacturer of the milled products. The exportation may be effected by the miller himself or by the

buyer or manufacturer of the milled products. Since UNICHEM, the buyer of SPMC's milled products, subsequently exported said products, SPMC should be exempted from the miller's tax.

The petition must fail.

Under Rule 43, Section 5 of the Rules of Court, appeals from the CTA and quasi-judicial agencies to the Court of Appeals should be verified. A pleading required to be verified which lacks proper verification shall be treated as an unsigned pleading.[6]

Moreover, a petition for review under Rule 43 requires a sworn certification against forum shopping.[7] Failure of the petitioner to comply with any of the requirements of a petition for review is sufficient ground for the dismissal of the petition.[8]

A corporation may exercise the powers expressly conferred upon it by the Corporation Code and those that are implied by or are incidental to its existence through its board of directors and/or duly authorized officers and agents.[9] Hence, physical acts, like the signing of documents, can be performed only by natural persons duly authorized for the purpose by corporate by-laws or by specific act of the board of directors.[10] In the absence of authority from the board of directors, no person, not even the officers of the corporation, can bind the corporation.[11]

SPMC's petition in the Court of Appeals did not indicate that the person who signed the verification/certification on non-forum shopping was authorized to do so. SPMC merely relied on the alleged inherent power of its chief financial officer to represent SPMC in all matters regarding the finances of the corporation including, among others, the filing of suits to defend or protect it from assessments and to recover erroneously paid taxes. SPMC even admitted that no power of attorney, secretary's certificate or board resolution to prove the affiant's authority was attached to the petition. Thus, the petition was not properly verified. Since the petition lacked proper verification, it was to be treated as an unsigned pleading subject to dismissal.[12]

In PET Plans, Inc. v. Court of Appeals,[13] the Court upheld the dismissal by the Court of Appeals of the petition on the ground that the verification and certification against forum shopping was signed by PET Plans, Inc.'s first vice-president for legal affairs/corporate secretary without any certification that he was authorized to sign in behalf of the corporation.

In BPI Leasing Corporation v. Court of Appeals,[14] the Court ruled that the petition should be dismissed outright on the ground that the verification/certification against forum shopping was signed by BPI Leasing Corporation's counsel with no specific authority to do so. Since the counsel was purportedly acting for the corporation, he needed a resolution issued by the board of directors that specifically authorized him to institute the petition and execute the certification. Only then would his actions be legally binding on the corporation.[15]

In this case, therefore, the appellate court did not commit an error when it dismissed the petition on the ground that it was signed by a person who had not been issued any authority by the board of directors to represent the corporation.

Neither can the Court subscribe to SPMC's claim of substantial compliance or to its plea for a liberal application of the rules. Save for the most persuasive of reasons, strict compliance with procedural rules is enjoined to facilitate the orderly administration of justice.[16] Substantial compliance will not suffice in a matter involving strict observance such as the requirement on non-forum shopping,[17] as well as verification. Utter disregard of the rules cannot justly be rationalized by harping on the policy of liberal construction.[18]

But even if the fatal procedural infirmity were to be disregarded, the petition must still fail for lack of merit.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

As the CTA correctly ruled, SPMC's sale of crude coconut oil to UNICHEM was subject to the 3% miller's tax. Section 168 of the 1987 Tax Code provided:

> Sec. 168. Percentage tax upon proprietors or operators of rope factories, sugar central mills, coconut oil mills, palm oil mills, cassava mills and desiccated coconut factories. Proprietors or operators of rope factories, sugar central and mills, coconut oil mills, palm oil mills, cassava mills and desiccated coconut factories, shall pay a tax equivalent to three percent (3%) of the gross value in money of all the rope, sugar, coconut oil, palm oil, cassava flour or starch, dessicated coconut, manufactured, processed or milled by them, including the by-product of the raw materials from which said articles are produced, processed or manufactured, such tax to be based on the actual selling price or market value of these articles at the time they leave the factory or mill warehouse: Provided, however, That this tax shall not apply to rope, coconut oil, palm oil and the by-product of copra from which it is produced or manufactured and dessicated coconut, if such rope, coconut oil, palm oil, copra by-products and dessicated coconuts, shall be removed for exportation by the proprietor or operator of the factory or the miller himself, and are actually exported without returning to the Philippines, whether in their original state or as an ingredient or part of any manufactured article or products: Provided further, That where the planter or the owner of the raw materials is the exporter of the aforementioned milled or manufactured products, he shall be entitled to a tax credit of the miller's taxes withheld by the proprietor or operator of the factory or mill, corresponding to the quantity exported, which may be used against any internal revenue tax directly due from him: and Provided, finally, That credit for any sales, miller's or excise taxes paid on raw materials or supplies used in the milling process shall not be allowed against the miller's tax due, except in the case of a proprietor or operator of a refined sugar factory as provided hereunder. (emphasis supplied)

The language of the exempting clause of Section 168 of the 1987 Tax Code was clear. The tax exemption applied only to the exportation of rope, coconut oil, palm oil, copra by-products and dessicated coconuts, whether in their original state or as an ingredient or part of any manufactured article or products, by the proprietor or operator of the factory or by the miller himself.

The language of the exemption proviso did not warrant the interpretation advanced by SPMC. Nowhere did it provide that the exportation made by the purchaser of the materials enumerated in the exempting clause or the manufacturer of products utilizing the said materials was covered by the exemption. Since SPMC's situation was not within the ambit of the exemption, it was subject to the 3% miller's tax imposed under Section 168 of the 1987 Tax Code.

SPMCï¿½s proposed interpretation unduly enlarged the scope of the exemption clause. The rule is that the exemption must not be so enlarged by construction since the reasonable presumption is that the State has granted in express terms all it intended to grant and that, unless the privilege is limited to the very terms of the statute, the favor would be intended beyond what was meant.[19]

Where the law enumerates the subject or condition upon which it applies, it is to be construed as excluding from its effects all those not expressly mentioned. Expressio unius est exclusio alterius. Anything that is not included in the enumeration is excluded therefrom and a meaning that does not appear nor is intended or reflected in the very language of the statute cannot be placed therein.[20] The rule proceeds from the premise that the legislature would not have made specific enumerations in a statute if it had the intention not to restrict its meaning and confine its terms to those expressly mentioned.[21]

The rule of expressio unius est exclusio alterius is a canon of restrictive interpretation.[22] Its application in this case is consistent with the construction of tax exemptions in strictissimi juris against the taxpayer. To allow SPMC's claim for tax exemption will violate these established principles and unduly derogate sovereign authority.

WHEREFORE, the petition is hereby DENIED.

Study hands-free: podcast-style lessons with read-along highlighting - batas.org

Costs against petitioner.

SO ORDERED.

Puno, (Chairperson), Sandoval-Gutierrez, Azcuna, and Garcia, JJ., concur.

---

[*] The petition names both the Court of Tax Appeals and the Court of Appeals as respondents. However, under Sec. 6, Rule 43 of the Rules of Court, the lower court need not be impleaded as a party in the petition for review filed with the Court of Appeals. Thus, the Court of Tax Appeals should not have been impleaded in the action filed with the Court of Appeals. On the other hand, under Sec. 4, Rule 45, the lower court need not be impleaded in petitions for review filed before this Court. Hence, both the Court of Tax Appeals and the Court of Appeals were excluded from the title.

[1] Penned by Associate Justice Ramon Mabutas, Jr. and concurred in by Associate Justices Demetrio G. Demetria and Jose L. Sabio, Jr. of the Eighth Division of the Court of Appeals; rollo, p. 31.

[2] Inclusive of interest, surcharge and other penalties.

[3] Covered by assessment nos. FAS-4-87-90-000-511 in the amount of P4,596,093.58 and FAS-4-87-90-000-512 in the amount of P3,586,089.27, respectively.

[4] SPMC was also assessed for the following deficiency taxes for taxable year 1987: miller's tax for P215,476.18 (FAS-4-87-90-000-510), percentage taxes for P42,221.92 (FAS-4-87-90-000-513) and P35,300.29 (FAS-4-87-90-000-514), increment of P2,298.78 on late payment (FAS-4-87-90-000-515) and fixed taxes for P495.78, P495.00 and P1,090.44 (FAS-4-87-90-000-516 to FAS-4-87-90-000-518). These deficiencies were settled through payment.

[5] Another ground for the dismissal of the petition was SPMC's failure to attach copies of all pleadings and other material portions of the record as would support the allegations in the petition.

[6] Section 4, Rule 7, Rules of Court.

[7] Cf. Section 6, Rule 43, Rules of Court.

[8] Cf. Section 7, Rule 43, Rules of Court.

[9] BPI Leasing Corporation v. Court of Appeals, G.R. No. 127624, 18 November 2003, 416 SCRA 4.

[10] Id.

[11] Public Estates Authority v. Uy, 423 Phil. 407 (2001).

[12] Soller v. Commission on Elections, G.R. No. 139853, 5 September 2000, 339 SCRA 685.

[13] G.R. No. 148287, 23 November 2004, 443 SCRA 510.

[14] Supra at note 9.

[15] Id.

[16] PET Plans, Inc. v. Court of Appeals, supra.

[17] Spouses Ortiz v. Court of Appeals, 360 Phil. 95 (1998).

[18] Chua v. Santos, G.R. No. 132467, 18 October 2004, 440 SCRA 365.

Turn this case into an audio lecture - facts, issues, ruling and doctrine - at batas.org

[19] Lung Center of the Philippines v. Quezon City, G.R. No. 144104, 29 June 2004, 433 SCRA 119.

[20] Singapore Airlines Local Employees v. National Labor Relations Commission, 215 Phil. 420 (1984).

[21] Canet v. Decena, G.R. No. 155344, 20 January 2004, 420 SCRA 388.

[22] Malinias v. COMELEC, 439 Phil. 319 (2002).

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

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.