

COMMISSIONER OF INTERNAL REVENUE, PETITIONER, VS. FILIPINAS COMPAÑIA DE SEGUROS, RESPONDENT.

G.R. No. 14880. April 29, 1960

Ponente: BARRERA, J.

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BARRERA, J.:

Respondent Filipinas Compañia de Seguros, an insurance company, is also engaged in business as a real estate dealer. On January 4, 1956, respondent, in accordance with the single rate then prescribed under Section 182 of the National Internal Revenue Code.[1] paid the amount of P150.00 as real estate dealer's fixed annual tax for the year 1956. Subsequently said Section 182 of the Code was amended by Republic Act No. 1612, which took effect on August 24, 1956, by providing a scale of graduated rates: P150 if the annual income of the real estate dealer from his business as such is P4,000, but does not exceed P10,000; P300, if such annual income exceeds P10,000 but does not exceed P30,000; and P500 if such annual income exceeds P30,000.

On June 17, 1957, petitioner Commissioner of Internal Revenue assessed and demanded from respondent (whose annual income exceeded P30,000.00) the amount of P350.00 as additional real estate dealer's fixed annual tax for the year 1956. On July 16, 1957, respondent wrote a letter to petitioner stating that the "records will show that the real estate dealer's fixed tax for 1956 of this Company was fully paid by us prior to the effectivity of Republic Act No. 1612 which amended, among other things, Sections 178 and 182 of the National Internal Revenue Code." And, as to the retroactive effect of said Republic Act No. 1612, respondent added that the Republic Act No. 1856 which, among other things, amended Section 182 of the National Internal Revenue Code, Congress has clearly shown its intention when it provided that the increase in rates of taxes envisioned by Republic Act No. 1612 is to be made effective as of 1 January 1957".

On October 23, 1957, petitioner informed respondent that "Republic Act No. 1856 which took effect June 22, 1957 amended the date of effectivity of Republic Act 1612 to January 1, 1957. However, the said amendment applies only to fixed taxes on occupation and not to fixed taxes on business." Hence, petitioner insisted that respondent should pay the amount of P350.00 as additional real estate dealer's fixed annual tax for the year 1956.

On November 20, 1957, respondent filed with the Court of Tax Appeals a petition for review. To this petition, petitioner filed his answer on December 6, 1957. As petitioner practically admitted the material factual allegations in the petition for review, the case was submitted for judgment on the pleadings.

On November 22, 1958, the Court of Tax Appeals rendered a decision sustaining the contention of respondent company and ordering the petitioner Commissioner of Internal Revenue to desist from collecting the P350.00 additional assessment. From this decision, petitioner appealed to us.

As a rule, laws have no retroactive effect, unless the contrary is provided. (Art. 4, Civil Code of the Philippines; Manila Trading and Supply Co. vs. Santos, et al., 66 Phil., 237; La Provisora Filipina vs. Ledda, 66 Phil., 573.) Otherwise stated, a statute should be considered as prospective in its operation whether it enacts, amends or repeals a tax, unless the language of the statute clearly, demands or expresses that it shall have a retroactive effect.

(61 C. J. 1602, cited in *Lorenzo vs. Posadas*, 64 Phil., 353.) The rule applies "with greater force to the case at bar, considering that Republic Act No. 1612, which imposes the new and higher rates of real estate dealer's annual fixed tax, expressly provides in Section 21 thereof that said Act "shall take effect upon its approval" on August 24, 1956.

The instant case involves the fixed annual real estate dealer's tax for 1956. There is no dispute that before the enactment of Republic Act No. 1612 on August 24, 1956, the uniform fixed annual real estate dealer's tax was P150.00 for all owners of rental properties receiving an aggregate amount of P3,000.00 or more a year in the form of rentals^[2] and that "the yearly fixed taxes are due on the first of January of each year" unless tendered in semi-annual or quarterly installments.^[3] Since the petitioner indisputably paid in full on January 4, 1956, the total annual tax then prescribed for the year 1956, to require it to pay an additional sum of P350.00 to complete the P500.00 provided in Republic Act No. 1612 which became effective by its very terms only on August 24, 1956, would, in the language of the Court of Tax Appeals, result in the imposition upon respondent of a tax burden to which it was not liable before the enactment of said amendatory act, thus rendering its operation retroactive rather than prospective, which cannot be done, as it would contravene the aforecited Section 21 of Republic Act No. 1612 as well as the established rule regarding the prospectivity of operation of statutes.

The view that Congress did intend to impose said increased rates of real estate dealer's annual tax prospectively and not retroactively, "finds some affirmation in Republic Act No. 1856, approved on June 22, 1957, which fixed the effective date of said new rates under Republic Act: No. 1612 by inserting the following proviso in Section 182 of the National Internal Revenue Code:

"Provided, further, That any amount collected in excess of the rates in effect prior to January one, nineteen hundred and fifty-seven, shall be refunded or credited to the taxpayer concerned subject to the provisions of section, three hundred and nine of this Code." (Sec. 182 (b) (2) (1).)

Petitioner, however, contends that the above-quoted provision refers only to fixed taxes on occupation and does not cover fixed taxes on business, such as the real estate dealer's fixed tax herein involved. This is technically, correct, but we note from the deliberations in the Senate, where the proviso in question was introduced as an amendment, that said House Bill No. 5819 which became Republic Act No. 1856 was considered, amended, and enacted into law, in order precisely that the "iniquitous effects" which were then being felt by taxpayers, in general, on account of the approval of Republic Act No. 1612, which was being given retroactive effect, by the Bureau of Internal Revenue by collecting these taxes retroactively from January 1, 1956, be eliminated and complaints against such action be finally settled. (See Senate Congressional Record, May 4, 1957, pp. 1032-1033.)

It is also to be observed that said House Bill No. 5819 as originally presented, was expressly intended to amend certain provisions of the National Internal Revenue Code dealing on fixed taxes on business. The provisions in respect of fixed tax on occupation were merely subsequently added. This would seem to indicate that the proviso in question was intended to cover not only fixed taxes on occupation, but also fixed taxes on business. (Senate Congressional Record, March 7, 1957, p. 444.) The fact that said proviso was placed only at the end of paragraph "(B) On occupation" is not, therefore, in view of the circumstances, decisive and unmistakable indication that Congress limited the proviso to occupation taxes.

"Even though the primary purpose of the proviso is to limit or restrain the general language of a statute, the legislature, unfortunately, does not always use it with technical correctness; consequently, where its use creates an ambiguity, it is the duty of the court to ascertain the legislative" intention, through resort to the usual rules of construction applicable to statutes, generally and give it effect even though the statute is thereby enlarged, or the proviso made to assume the force of an independent enactment and although a proviso as such has no

existence apart from the provision which it is designed to limit or to qualify." (Statutory Construction by E. T. Crawford, pp. 604-606.)

"* * * When construing a statute, the reason for its enactment should be kept in mind, and the statute should be construed with reference to its intended scope and purpose." (Id. at p. 249.)

On the general principle of prospectivity of statutes, on the language of Republic Act 1612 itself, especially Section 21 thereof, and on the basis of its intended scope and purpose as disclosed in the Congressional Records, we find ourselves in agreement with the Court of Tax Appeals.

Wherefore, the decision appealed from is hereby affirmed, without costs. So ordered.

Paras, C. J., Bengzon, Montemayor, Bautista Angelo, Labrador, Concepcion, Endencia, and Gutierrez David, JJ., concur.

Reyes, J.B.L., J., on leave, took no part.

[1] In relation to Republic Act No. 588.

[2] Republic Act No. 688.

[3] See Section 180, Com. Act No. 466, before its amendment on June 22, 1957 by Republic Act No. 2025.

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