

BANK OF THE PHILIPPINE ISLANDS, PLAINTIFF AND APPELLEE, VS. WENCESLAO TRINIDAD, AS COLLECTOR OF INTERNAL REVENUE FOR THE PHILIPPINE ISLANDS, DEFENDANT AND APPELLANT.

G.R. No. 22967. February 27, 1925

Ponente: STATEMENT After the formal pleas, plaintiff alleges that prior to the filing of the complaint the defendant, as Collector of Internal Revenue, made a ruling which required that the plaintiff should place documentary stamps to the amount of 4 centavos for each P200 or fraction thereof on each check, draft or telegraphic order of money drawn by it upon each and all of its foreign correspondents. That the plaintiff protested such ruling, and thereafter and in pursuance therewith, placed the corresponding stamps upon ail of its foreign checks or drafts. That the ruling was not authorized by any statute. That a summary of the amounts which the plaintiff paid for such stamps is annexed to, marked Exhibit A, and made a part of, the complaint. That by reason thereof, there is now due and owing from the defendant to this plaintiff the sum of P2,567.52, for which plaintiff prays a corresponding judgment, with interest from January 14, 1924, and costs. For answer the defendant makes a general and specific denial of all the material allegations of the complaint. The case was tried upon the following "agreed statement of facts:" "Come now the parties hereto, by their respective attorneys, and submit the following facts for the decision of the court: "1. That the allegations in paragraph numbered 1 of the complaint are true. "2. That during the period covered by the complaint, the plaintiff has been drawing orders for the payment of money upon its foreign correspondents and delivering such orders to its clients for value received. That such orders are in the form substantially as set forth in Exhibit A hereto annexed. "3. That during such period, the defendant, as Collector of Internal Revenue, required the plaintiff to affix to such orders documentary stamps to the amount of, and as required by subsection (t) of section 1449 of the Administrative Code as amended. "4. That the plaintiff from time to time made due protest against this requirement and from time to time made demands for the refund of the value of the stamps so affixed, and that the defendant overruled each and all of said protests and refused each and all of said requests for refunds. "5. It is further stipulated that in case the court shall decide that refunds are due as demanded by the complaint, opportunity will be afforded by the plaintiff to the agents of the defendant to verify by the books of the plaintiff and its branches the amounts that have been actually expended for such stamps as have been paid under protests and not barred under section 1679 [1579] of Act No. 2711 at the time of filing of the complaint herein and that judgment may be rendered accordingly." The lower court rendered judgment to the effect that the ruling was unauthorized, and that the plaintiff was entitled to recover the amount which it had paid for such stamps, allowing the defendant thirty days in which to make an accounting. After his motion for a new trial was overruled, the defendant appealed, contending that the lower court erred in holding that "the negotiable instrument in question (Exhibit A) is not subject to the tax imposed in subsection (i) of section 14491 of Act No. 2711, but to subsection (f) of the same section," and "in rendering judgment for the plaintiff and against the defendant." JOHNS, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-22967/>

STATEMENT

After the formal pleas, plaintiff alleges that prior to the filing of the complaint the defendant, as Collector of Internal Revenue, made a ruling which required that the plaintiff should place documentary stamps to the amount of 4 centavos for each P200 or fraction thereof on each check, draft or telegraphic order of money drawn by it upon each and all of its foreign correspondents. That the plaintiff protested such ruling, and thereafter and in pursuance therewith, placed the corresponding stamps upon ail of its foreign checks or drafts. That the ruling was

not authorized by any statute. That a summary of the amounts which the plaintiff paid for such stamps is annexed to, marked Exhibit A, and made a part of, the complaint. That by reason thereof, there is now due and owing from the defendant to this plaintiff the sum of P2,567.52, for which plaintiff prays a corresponding judgment, with interest from January 14, 1924, and costs.

For answer the defendant makes a general and specific denial of all the material allegations of the complaint.

The case was tried upon the following "agreed statement of facts:"

"Come now the parties hereto, by their respective attorneys, and submit the following facts for the decision of the court:

"1. That the allegations in paragraph numbered 1 of the complaint are true.

"2. That during the period covered by the complaint, the plaintiff has been drawing orders for the payment of money upon its foreign correspondents and delivering such orders to its clients for value received. That such orders are in the form substantially as set forth in Exhibit A hereto annexed.

"3. That during such period, the defendant, as Collector of Internal Revenue, required the plaintiff to affix to such orders documentary stamps to the amount of, and as required by subsection (t) of section 1449 of the Administrative Code as amended.

"4. That the plaintiff from time to time made due protest against this requirement and from time to time made demands for the refund of the value of the stamps so affixed, and that the defendant overruled each and all of said protests and refused each and all of said requests for refunds.

"5. It is further stipulated that in case the court shall decide that refunds are due as demanded by the complaint, opportunity will be afforded by the plaintiff to the agents of the defendant to verify by the books of the plaintiff and its branches the amounts that have been actually expended for such stamps as have been paid under protests and not barred under section 1679 [1579] of Act No. 2711 at the time of filing of the complaint herein and that judgment may be rendered accordingly."

The lower court rendered judgment to the effect that the ruling was unauthorized, and that the plaintiff was entitled to recover the amount which it had paid for such stamps, allowing the defendant thirty days in which to make an accounting.

After his motion for a new trial was overruled, the defendant appealed, contending that the lower court erred in holding that "the negotiable instrument in question (Exhibit A) is not subject to the tax imposed in subsection (i) of section 1449 of Act No. 2711, but to subsection (f) of the same section," and "in rendering judgment for the plaintiff and against the defendant."

JOHNS, J.:

The question presented is the legal construction which should be placed upon subsections (f) and (i) of section 1449 of the Administrative Code which read as follows:

" (f) On each bank check, draft, or certificate of deposit, not drawing interest, or order for the payment of any sum of money drawn upon or issued by any bank, trust company, or any person or persons, companies, or corporations, at sight or on demand, two centavos.

" (i) On all foreign bills of exchange and letters of credit (including orders, by telegraph or otherwise, for the payment of money issued by express or steamship companies or by any person or persons) drawn in but payable out of the Philippine Islands, in a set of three or more according to the custom of merchants and bankers, on each two hundred pesos, or fractional part thereof, of the face value of any such bill of exchange or

letter of credit, or the Philippine equivalent of such face value, if expressed in foreign currency, four centavos."

It is admitted that the checks or orders on its foreign correspondents were drawn in duplicate only, and that one of them is known and stamped as the original and the other as the duplicate, and it is stipulated that during the period covered by the complaint, the plaintiff has been drawing orders for the payment of money upon its foreign correspondents and delivering them to its clients, and that they are substantially in the form as set forth in Exhibit A.

Sections 126 and 185 of Act No. 2031, the Negotiable Instruments Law, read as follows:

"Sec. 126. Bill of exchange defined.—A bill of exchange is an unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time a sum certain in money to order or to bearer."

"Sec. 185. Check defined.—A check is a bill of exchange drawn on a bank payable on demand. Except as herein otherwise provided, the provisions of this Act applicable to a bill of exchange payable on demand apply to a check."

The checks in question which plaintiff drew on its foreign correspondents were orders for the payment of money and clearly come within the definitions of a bill of exchange under section 126 and a check as defined in section 185, and, as such, are foreign bills of exchange within the meaning of subsection (i) of section 1449 of the Administrative Code of 1917.

It is agreed that they were drawn in sets of twos, one as the original and the other as the duplicate, and that they were not drawn "in a set of three or more," and for such reason, it is vigorously contended that the plaintiff should not pay 4 centavos "on each P200 or fractional part thereof." In other words, that the provisions of subsection (i) only apply to "foreign bills of exchange and letters of credit," which are drawn "in set of three or more."

It will be noted that the word "foreign" is used in subsection (i), and that it is not used in subsection (f). The purpose and intent of the law is apparent. Subsection (f) applies only to interisland bank checks, drafts or certificates of deposits as therein defined, and subsection (f) applies to "foreign bills of exchange and letters of credit drawn in but payable out of the Philippine Islands." Subsection (f) applies to domestic transactions and subsection (i) applies to foreign transactions.

It is clear that the legislature intended that upon all of such domestic transactions, there should be a revenue of 2 centavos on each bank check, draft or certificate of deposit. That upon all transactions defined in subsection (i) there should be a revenue of 4 centavos on "each P200 or fractional part thereof." It will also be noted that no amount is specified on domestic transactions, and that on foreign transactions it is 4 centavos on each P200 or a fraction. It will also be noted that subsection (i) says:

"In a set of three or more according to the custom of merchants and bankers," and that there is no such or a similar provision in subsection (f). The words "according to the custom of merchants and bankers" have a well-denned meaning and are descriptive of the transaction itself.

Plaintiff's contention would nullify the legal force and effect of subsection (i). Under its construction a bank which drew an order for the payment of money on a foreign correspondent in a set of three or more would have to pay 4 centavos on each P200 or a fraction, and a bank which drew its orders in duplicate only would be exempt from payment. That was never the purpose and intent of the legislature.

It may be true that subsection (i) is awkwardly worded, but the purpose and intent of the law is apparent to the effect that the Government should have a revenue of 4 centavos for every P200 or fraction on each foreign bill of exchange and letter of credit, which is drawn in but payable out of the Philippine Islands, that is issued in accord

with the customs and methods adopted and in use by merchants and bankers, regardless of the fact of whether they were drawn "in a set of three or more."

There is no merit in plaintiff's contention that the higher tax provided for in subsection (i) for foreign bills of exchange is in effect "a tax on exports."

The case was tried on stipulated facts, and there is nothing in the record showing the purpose for which the checks in question were drawn.

The judgment of the lower court is reversed, and one will be entered here in favor of the defendant, with costs. So ordered.

Malcolm, Villamor, Ostrand, and Romualdez, JJ., concur.

Johnson, J., dissenting: In my opinion the judgment of the lower court should have been affirmed. It is in accordance with the facts and the law.

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.