



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, First Division, issued a Resolution dated January 12, 2021 which reads as follows:

“G.R. No. 251061 (Republic of the Philippines represented by the Bureau of Customs v. Steel Asia Manufacturing Corporation). – This Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court assails the Decision² dated December 19, 2019 of the Court of Appeals (CA) in CA-G.R. CV No. 110136 which dismissed the appeal filed by the Republic of the Philippines represented by the Bureau of Customs (BOC) against Steel Asia Manufacturing Corporation (SAMC).

Facts of the Case

The Republic of the Philippines represented by the BOC filed a Complaint for Collection of Money with Damages and Prayer for Issuance of Writ of Preliminary Attachment³ against SAMC before the Regional Trial Court (RTC) of Manila, Branch 52.

SAMC is engaged in the importation of goods in the Philippines which were processed and released by the BOC upon payment of customs duties and taxes. According to the BOC, in the years 1997 and 1998, SAMC purchased from various companies, including Allstar Spinning Mills, Express Colour Industries, Filstar Textile Industrial Corporation, Jantex Philippines, Devmark Textile Industries, and Texasia, Inc. (original grantees), 13 tax credit certificates (TCC) with a total value of ₱81,710,975.00, which SAMC used to pay for its customs duties and taxes due its importations.⁴

¹ *Rollo*, pp. 9-17.

² Penned by Associate Justice Perpetua Susana T. Atal-Paño, with the concurrence of Associate Justices Myra V. Garcia-Fernandez and Pedro B. Corales; *id.* at 20-33.

³ *Id.* at 69-74.

⁴ *Id.* at 21.

However, the BOC allegedly discovered later that the TCCs granted to the original grantees were fraudulently secured. Hence, the payment of SAMC through these TCCs was revoked. As a result of the revocation, BOC sent a demand letter to SAMC on September 25, 2001 asking for the payment of customs duties. As it remained unheeded, the BOC filed a collection suit against SAMC.⁵

In its Answer, SAMC admitted purchasing 13 TCCs from the original grantees, however, SAMC insisted that it had no knowledge of any fraudulent acts committed by the original grantees in the application of the TCCs.⁶

Thereafter, pre-trial and trial ensued.

According to BOC's first witness, Marlene L. Marquez (Marquez), the Chief Tax Specialist of the Department of Finance (DOF) One-Stop Shop Inter-Agency Tax Credit and Duty Drawback Center (DOF-OSS Center), she conducted post-audit of the TCCs issued to Devmark Textile Industries, and Texasia, Inc., two of the original grantees and found that said TCCs were fraudulently secured. Thus, she recommended the cancellation of the TCCs through a cancellation memorandum. Marquez admitted though that she was not the one who personally issued the TCCs to the original grantees because she was not yet part of the DOF-OSS Center at the time of their issuance. She also acknowledged that prior to the approval of the transfer of the TCCs from the original grantees to SAMC, the DOF-OSS Center required SAMC to submit documentary requirements.⁷

The second witness for the BOC is Elizabeth Cruz, former Planning Officer of the DOF and Head of the TCC Issuance and Application Division. She concurred with Marquez that the audit procedure conducted against the original grantees resulted to the cancellation of the TCCs in question. She explained that original grantees of the TCCs have the option to either use the same for their own importation or to transfer the TCCs. If the original grantees opted to transfer the TCCs, they should submit a deed of assignment and letter of application. Upon transfer, the transferee should apply at the DOF-OSS Center for a tax debit memo before the TCCs can be used to pay duties and taxes.⁸

⁵ Id.

⁶ Records, pp. 57-58.

⁷ Id. at 60-61.

⁸ Id. at 61-64.

SAMC presented a lone witness, Antonio Lorenzana (Lorenzana), its former President and current Director. Lorenzana testified that SAMC is an innocent purchaser for value of the TCCs and that the company exercised due diligence in acquiring the same from the original grantees. He explained that SAMC double checked the TCCs with the DOF which assured that the TCCs were authentic. It was only upon the confirmation from DOF of the TCCs' authenticity that negotiations for its purchase ensued. According to Lorenzana, as an added measure, SAMC paid through post-dated checks and the checks were confirmed for payment only after the TCCs were utilized and cleared by the DOF-OSS Center.⁹

Ruling of the Regional Trial Court

In its Decision¹⁰ dated August 29, 2017, the RTC dismissed the case for lack of merit. According to the RTC, the BOC had no cause of action against SAMC because the latter had already paid the customs duties and taxes incurred from its various importations for the years 1997 and 1998 using 13 TCCs which were cleared by the BOC itself and the DOF-OSS Center.¹¹

The RTC was convinced that SAMC is an innocent purchaser for value of the TCCs in question. The RTC found that SAMC had no participation in the application, processing, and issuance of the subject TCCs. Thus, any fraud or breach of law or rule regarding the issuance of the TCCs by the DOF-OSS Center to the original grantees is the original grantees' responsibility and liability alone.¹² The RTC cited the previous cases of *Pilipinas Shell Petroleum Corporation v. CIR*¹³ (*Pilipinas Shell*) and *CIR v. Petron Corporation*¹⁴ (*Petron Corporation*), which have similar factual antecedents as in this case, as authorities to hold that a transferee in good faith and for value may not be unjustly prejudiced by the fraud committed by the original grantees in the procurement of the TCCs from the DOF-OSS Center. A re-assessment of tax liabilities previously paid by a transferee, such as SAMC, in good faith and for value, is confiscatory.¹⁵

Aggrieved, the BOC filed its appeal to the CA.

⁹ Id. at 68-70.

¹⁰ Id. at 56-79.

¹¹ Id. at 74.

¹² Id. at 76.

¹³ 565 Phil. 613 (2007).

¹⁴ 685 Phil. 118 (2012).

¹⁵ *Rollo*, p. 77

Ruling of the Court of Appeals

In its Decision¹⁶ dated December 19, 2019, the CA dismissed the appeal and held that the Decision of the RTC had become final and executory.

According to the CA, it is the Court of Tax Appeals (CTA) that has exclusive appellate jurisdiction over the case in accordance with Section 7(c) (2a) of Republic Act No. (R.A.) 1125, as amended by R.A. 9282.¹⁷ Additionally, it is already settled by this Court in the case of *Mitsubishi Motors Philippines Corporation v. Bureau of Customs*¹⁸ (*Mitsubishi Motors*) that a petition for review of the decision of the RTC in tax collection cases should be filed with the CTA and not with the CA. In *Mitsubishi Motors*, this Court denied the appeal wrongly filed by the BOC to the CA and held that the decision of the RTC became final and executory in view of the wrong mode of appeal.¹⁹

Undaunted, the BOC filed this Petition for Review on *Certiorari*.²⁰ According to the BOC, the provision on the exclusive appellate jurisdiction of the CTA only refers to appeals in tax collection cases in relation to criminal cases under Section 7(b) 2(c) 2(a). Since this case is civil in nature, as it is a case for collection of money, then the BOC rightly brought its ordinary appeal to the CA.²¹

In its Comment,²² SAMC countered that the appeal filed by the BOC to the CA instead of a petition for review to the CTA is a fatal mistake which correctly leads to the dismissal of the appeal.²³

Issue

Whether the CA correctly dismissed the appeal.

Ruling of the Court

After a perusal of the records of the case, this Court resolves to deny the Petition for Review on *Certiorari* for failure of the BOC to

¹⁶ Supra note 2.
¹⁷ *Rollo*, p. 26.
¹⁸ 760 Phil. 954, 961 (2015).
¹⁹ *Rollo*, p. 31.
²⁰ Id. at 9-17.
²¹ Id. at 14.
²² Id. at 82-96.
²³ Id. at 93.

show that the CA committed a reversible error in dismissing its appeal.

Mitsubishi Motors is on all fours with this case. Like the instant case, a collection suit was also filed by the BOC against *Mitsubishi Motors* to the RTC. The RTC dismissed the collection case and likewise, the BOC brought an appeal to the CA. When it reached this Court, it was held that an appeal of the decision of the RTC in tax collection cases should be brought to the CTA and not to the CA.

Section 7 of R.A. 1125, as amended by R.A. 9282 provides the following:

Section 7. Jurisdiction. – The CTA shall exercise:

x x x x

c. Jurisdiction over **tax collection cases** as herein provided:

x x x x

2. Exclusive appellate jurisdiction in tax collection cases:

a. Over **appeals from the judgments, resolutions or orders of the Regional Trial Courts in tax collection cases** originally decided by them in their respective territorial jurisdiction.

x x x x

Similarly, Section 3, Rule 4 of the Revised Rules of the Court of Tax Appeals, as amended, states:

Section 3. Cases within the jurisdiction of the Court in Divisions. – The Court in Divisions shall exercise:

x x x x

c. Exclusive jurisdiction over **tax collections cases**, to wit:

x x x x

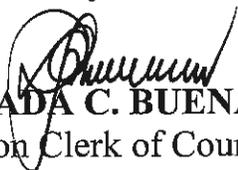
2. Appellate jurisdiction over **appeals from the judgments**, resolutions or orders of the **Regional Trial Courts in tax collection cases** originally decided by them within their respective territorial jurisdiction.

Here, the complaint filed by the BOC to the RTC described the same as a tax collection case. The subject matter of the complaint is the unpaid customs duties and taxes that were supposed to have been paid through the alleged fraudulently secured TCCs. Verily, since this case is a tax collection case before the RTC, the provisions of R.A. 1125, as amended by R.A. 9282 explicitly provides that an appeal thereto should be filed to the CTA and not to the CA. Hence, the CA properly dismissed the appeal filed by the BOC for having been wrongfully filed.

WHEREFORE, the Petition for Review on *Certiorari* is **DENIED**. The Decision dated December 19, 2019 of the Court of Appeals in CA-G.R. CV No. 110136 is **AFFIRMED**.

SO ORDERED."

By authority of the Court:


LIBRADA C. BUENA
Division Clerk of Court

by:

MARIA TERESA B. SIBULO
Deputy Division Clerk of Court
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