REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
MANILA

MANILA PENCIL COMPANY,
INC.,
Petitioner,

- versus -

C.T.A.
CASE NO. 619

ACTING COMMISSIONER OF
INTERNAL REVENUE,
Respondent.

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D E C I S I O N

This is an appeal from the decision of the respondent holding the petitioner liable for the payment of the sum of ₱4,491.49, computed as follows:

Total volume of logs purchased from 1951 to November, 1954 ------------------	1,448.84 cu. m.
Regular forest charges on 1,448.84 cu. m. of timber ------	₱ 869.32
300% surcharge for cutting without license --	2,607.96
50% surcharge for transporting without invoice & discharging without permit ----------------	434.66
Reforestation Fund (Rep. Act No. 115) ---------	579.55
Total ------------------	₱4,491.49

Petitioner has elevated the case to this Court, contending that it is not liable for said amount.

The facts of the case are not disputed. It appears that petitioner acquired from certain persons from 1951 to November, 1954, 1,448.84 cu. m. of timber (fourth group) which it utilized in the manufacture of pencils for sale, the corresponding forest charges on which have apparently not been paid as petitioner

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cannot show any invoice or document evidencing payment. Accordingly, respondent assessed against petitioner the forest charges and surcharges itemized above, including reforestation fees (designated in respondent's decision as reforestation fund). Petitioner contends that it is not liable for the said forest charges and surcharges on the ground that the persons from whom the forest products were purchased are the ones liable therefor and not petitioner, the latter being merely a purchaser in good faith.

On the question whether or not a person who buys timber from another may be held liable for the corresponding forest charges and surcharges, if he cannot show any invoice or other document evidencing payment of forest charges, the Supreme Court held:

> "A person who buys or purchases timber without the official documents . . .is not a buyer in good faith; he should know that under the Regulations in force since 1934 timber cut in public forests should be accompanied by the documents required. In no case is the rule of caveat emptor be more applicable than in the present, where products from the patrimony of the people have apparently been taken away illegally. The purchaser thereof cannot be said to be a purchaser in good faith unless he can show the official documents, the receipts for payment of the charges and the discharge permit covering the timber, because he ought to know the law and regulations regarding the payment of forest charges and the invoicing, transporting and discharging of forest products." (Coll. of Int. Rev. v. Pio Barretto Sons, Inc., G. R. No. L-11805, May 31, 1960.)

The doctrine laid down in the Barretto case is that no person may be considered a buyer in good faith

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of forest products if he cannot produce any evidence of payment of the forest charges; in such case, he is deemed to have acquired the forest products in bad faith, so that he becomes personally liable for the forest charges. In line with the Barretto decision, the material facts of which are similar to the instant case, petitioner is liable for the forest charges and surcharges in question.

It is, however, argued that petitioner has been granted tax exemption as a new and necessary industry in connection with its business of manufacturing pencils. Therefore, it is alleged that it is exempt from the payment of forest charges on timber used by it in the manufacture of pencils. The exemption granted to petitioner under Republic Act No. 901 refers to all <u>taxes</u> directly payable by it in connection with the operation of the new and necessary industry. Since forest charges are not <u>taxes</u> (Coll. of Int. Rev. v. Pio Barretto Sons, Inc., <u>supra</u>), petitioner cannot claim exemption therefrom. It is true that forest charges had been considered, for quite a long time, as internal revenue taxes (See Op. Atty. Gen., Oct. 27, 1922; Hongkong & Shanghai Banking Corp. v. Rafferty, 39 Phil. 145; Coll. of Int. Rev. v. Mariano R. Lacson, G. R. No. L-12945, April 29, 1960), but that doctrine has already been overruled in the more recent case of Coll. of Int. Rev. v. Pio Barretto Sons, Inc., <u>supra</u>, promulgated on May 31, 1960.[1] We are constrained to

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[1] Motion for reconsideration denied by resolution dated Aug. 31, 1960.

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apply the more recent decision.

Respondent seeks to collect from petitioner the sum of ₱579.55 as reforestation fees imposed by Republic Act No. 115. The collection of reforestation fees under said Republic Act comes under the jurisdiction of the Bureau of Forestry. There is no law authorizing the Commissioner of Internal Revenue or his agents to collect said fees even as deputies of the Director of Forestry. Therefore, the attempt of herein respondent to collect reforestation fees from petitioner is illegal.

It is true that petitioner has not raised any question in regard to the legality of the collection of reforestation fees by respondent. But as the matter involves the question of the jurisdiction of this Court, we may take cognizance of the same <u>motu proprio</u>. Under Section 7 of Republic Act No. 1125, the jurisdiction of this Court in matters involving internal revenue taxes is limited to appeals from decisions of the Commissioner of Internal Revenue "involving disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties imposed in relation thereto, or other matters arising under the National Internal Revenue Code or other law or part of law administered by the Bureau of Internal Revenue." The collection of reforestation fees under Republic Act No. 115 is not a matter arising under the National Internal Revenue Code or other law or part of law <u>administered by the Bureau of Internal Revenue</u>. Repub-

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lic Act No. 115 is a law administered by the Bureau of Forestry.

FOR THE FOREGOING CONSIDERATIONS, the decision appealed from is hereby modified and petitioner is ordered to pay the sum of ₱3,911.94 as forest charges and surcharges on 1,448.84 cu. m. of fourth group timber, exclusive of the reforestation fees, within thirty days from the date this decision becomes final. Without pronouncement as to costs.

SO ORDERED.

Manila, May 31, 1961.

R. M. Umali
ROMAN M. UMALI
Associate Judge

I CONCUR:

M. Nable
MARIANO NABLE
Presiding Judge

Associate Judge AUGUSTO M. LUCIANO did not take part.