BISHOP OF THE MISSIONARY
DISTRICT OF THE PHILIPPINE
ISLANDS OF THE PROTESTANT
EPISCOPAL CHURCH IN THE
U.S.A.,
Petitioner,

October 25, 1961

- versus - C.T.A. CASE NO. 682

COMMISSIONER OF INTERNAL
REVENUE,
Respondent.

x - - - - - - - - - - - - - - x

D E C I S I O N

Petitioner seeks to recover the sum of ₱118,847.00 paid as compensating tax on various materials, supplies, equipments and articles shipped to him in the Philippines.

The facts are as gathered from the parties' partial stipulation of facts, documentary exhibits and testimonial evidence.

Petitioner Bishop of the Missionary District of the Philippine Islands of the Protestant Episcopal Church in the U.S.A., a corporation sole duly registered with the Securities and Exchange Commission, is charged with the administration of the temporalities and management of the estates and properties of the Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States (Missionary Society for brevity) within the territorial jurisdiction of the Philippine Islands. The Missionary District, a duly incorporated and established religious society, owns, operates and maintains in the Philippines, mission stations, churches, convents, parochial schools, hospitals and dispensaries, among which are the St. Luke's Hospital, Brent Hospital and St. Stephen's High School. The St. Luke's Hospital was formerly located at Magdalena St., Tondo, Manila. In view of the bad condition of the hospital building, it was decided to transfer the hospital to its present site in Quezon City. Construction started in 1957.

On various dates the Missionary Society shipped to petitioner in the Philippines materials, supplies, equipments and articles for use in the construction of the new St. Luke's Hospital and/or installation therein, the Brent Hospital and St. Stephen's High School. Similarly, one William Ninnis of Canada shipped to the Brent Hospital one stove for the latter's use. On these shipments, which were so used and/or installed as intended, compensating tax amounting to ₱118,847.00 was levied and paid.

Later, petitioner seasonably filed claims for refund of the amounts paid as compensating tax (Exh. U), availing as ground therefor the provisions of Republic Act No. 1916. Without waiting for the action of respondent on its claims, petitioner filed the instant petition for review on August 4, 1959. However, on September 2, 1959, it received a letter denying its claims for refund on the ground that the importations did not fall within the exemption provided for in Republic Act No. 1916, as the St. Luke's Hospital is not a charitable institution.

We are asked to resolve the question of whether or not the importations in question are exempt from payment of compensating tax under the provisions of Republic Act No. 1916.

Republic Act No. 1916 provides:

> SECTION 1. The provisions of existing laws to the contrary notwithstanding, all donations in any form and all articles imported into the Philippines, consigned to a duly incorporated or established international civic organization, religious or charitable society or institution for civic, religious or charitable purposes shall be exempt from the payment of all taxes and duties upon proof satisfactory to the Commissioner of Customs and/or Collector of Internal Revenue that such donations in any form and articles so imported are donations for its use or for free distribution and not for barter, sale or hire: Provided, however, That in case such articles are subsequently conveyed or transferred to other parties for a consideration, taxes and duties shall be collected thereon at double the rate provided under existing laws payable by the transferor: Provided, further, That rules and regulations shall be promulgated by the Department of Finance for the implementation of this Act. (53 O.G. 6466, Oct. 15, 1957.)

To be within the ambit of the above-quoted exemption provision, it is necessary that the imported articles be (1) donated, (2) consigned to a duly incorporated or established international civic organization, religious or charitable society or institution for civic, religious or charitable purposes, and (3) for its use or for free distribution and not for barter, sale or hire (Church of Jesus Christ "New Jerusalem" vs. Commissioner, C.T.A. Case No. 592, June 30, 1959, aff'd in G.R. No. L-15772, October 31, 1961.)

In the Memorandum submitted in support of his objection to exempting the importations in question from the payment of compensating tax, respondent's counsel contends that the same were not donations within the contemplation of law for the reason that the Missionary Society, in shipping the materials, supplies, equipments and articles to petitioner who is an administrator and manager of its properties in the Philippines, did not divest itself of the ownership over the same. This being so, it is concluded that said importations are not entitled to the tax exemption benefit of Republic Act No. 1916. Having thus limited his objection, we take it that respondent admits the presence in the importations at bar of the other two requisites for tax exemption. Consequently, the exemption of the importations under consideration from payment of compensating tax depends upon whether they are donations within the contemplation of Republic Act No. 1916.

We find no merit in respondent's contention. The materials, supplies, equipments and articles, which were shipped by the Missionary Society, were purchased by it (see t.s.n., p. 12), but the money used in the purchases came from abroad as contributions. These contributions were given for the purposes of the mission in the Philippines, such as for the construction of the St. Luke's Hospital (see t.s.n., pp. 13 & 42), and instead of the contributors themselves buying and sending the same to the District Missionary, they gave the money to the Missionary Society which merely acted as an intermediary between the donors and the Missionary District. Hence, said shipments or importations are donations within the contemplation of Republic Act No. 1916 and entitled to tax exemption.

With respect to the conveyance of a wood and coal stove, it is clear that the same is one of donation involving a transfer of ownership from William Minnis to the Brent Hospital. Consequently, it is equally entitled to the benefit of tax exemption.

In this connection it may be of much help to consider the intention of Congress in enacting Republic Act No. 1916. This law was passed mainly to encourage donations from abroad which would benefit the common people. Our legislators observed that donations coming from other countries to local civic, charitable and religious organizations for their exclusive use or for distribution as relief to indigent persons were subject to duties and taxes. These duties and taxes had the effect of discouraging the flow of donations to the Philippines and diverting it to other countries. To encourage the entries of donations in the Philippines, it was thought best to exempt donations from duties and taxes. Now, to sanction the collection of compensating tax on the materials, supplies, equipments and articles in question would frustrate the beneficient purpose of Republic Act No. 1916.

DECISION -
C.T.A. CASE NO. 682

WHEREFORE, the decision appealed from is hereby reversed. Respondent Commissioner of Internal Revenue is ordered to refund to petitioner Bishop of the Missionary District of the Philippine Islands of the Protestant Episcopal Church in the U.S.A. the sum of ₱118,847.00. No costs.

SO ORDERED.

Manila, October 25, 1961.

MARIANO NABLE
Presiding Judge

We concur:

AUGUSTO M. LUCIANO
Associate Judge

ROMAN M. UMALI
Associate Judge