Supreme Court E-Library

and private respondent LAROSA. While both parties in the Sub-contract had agreed to submit the matter to arbitration, this was only between themselves, no request having been made by both with the CIAC. Hence, as already stated, the CIAC has no jurisdiction over the dispute.

The petition for injunction filed by LAROSA is a civil action in which the subject of the litigation is incapable of pecuniary estimation, hence, the Regional Trial Court has exclusive original jurisdiction over it (Section 19, B.P. Blg. 129). Clearly, the respondent court did not abuse its discretion in taking cognizance of the case.

PREMISES CONSIDERED, the petition for *certiorari* and prohibition with prayer for a temporary restraining order is hereby *DISMISSED* for lack of merit.

SO ORDERED.

Narvasa, C.J. (Chairman), Padilla, Regalado, and *Nocon, JJ.,* concur.

EN BANC

[G.R. No. 104037. May 29, 1992]

REYNALDO V. UMALI, *petitioner, vs.* **HON. JESUS P. ESTANISLAO, Secretary of Finance, and HON. JOSE U. ONG, Commissioner of Internal Revenue,** *respondents.*

Supreme Court E-Library

[G.R. No. 104069. May 29, 1992]

RENE B. GOROSPE, LEIGHTON R. SIAZON, MANUEL M. SUNGA, PAUL D. UNGOS, BIENVENIDO T. JAMORALIN, JR., JOSE D. FLORES, JR., EVELYN G. VILLEGAS, DOMINGO T. LIGOT, HENRY E. LARON, PASTOR M. DALMACION, JR. and, JULIUS NORMAN C. CERRADA, *petitioners, vs.* **COMMISSIONER OF INTERNAL REVENUE,** *respondent.*

SYLLABUS

1. **CIVIL LAW; EFFECT AND APPLICATION OF LAWS; DATE OF EFFECTIVITY OF LAWS; REQUIREMENT OF PUBLICATION, INDISPENSABLE. —** 'Article 2. Laws shall take effect after fifteen days following the completion of their publication either in the official Gazette or in a newspaper of general circulation in the Philippines, unless it is otherwise provided. xxx' In the case of *Tanada vs. Tuvera* we construed Article 2 of the Civil Code and laid down the rule: 'xxx : the) clause 'unless it is otherwise provided' refers to the date of effectivity and not to the requirement of publication itself, which cannot in any event be omitted. This clause does not mean that the legislator may make the law effective immediately upon approval, or on any other date without its previous publication.' 'Publication is indispensable in every case, but the legislature may in its discretion provide that the usual fifteen-day period shall be shortened or extended. xxx'

2. **TAXATION; INCOME TAXATION; REPUBLIC ACT 7167; DATE OF EFFECTIVITY; COVERAGE. —** Accordingly, the Court rules that Rep. Act 7167 took effect on 30 January 1992, which is after fifteen (15) days following its publication on 14 January 1992 in the "Malaya." Coming now to the second issue, the Court is of the considered view that Rep. Act 7167 should cover or extend to compensation income earned or received during calendar year 1991. xxx And then, Rep. Act 7167 says that the increased personal exemptions that it provides for shall be available thenceforth, that is, after Rep.

Supreme Court E-Library

Act 7167 shall have become effective. In other words, these exemptions are available upon the filing of personal income tax returns which is, under the National Internal Revenue Code, done not later than the 15th day of April after the end of a calendar year. Thus, under Rep. Act 7167, which became effective, as aforestated, on 30 January 1992, the increased exemptions are literally available *on or before 15 April 1992* (though not before 30 January 1992). But these increased exemptions can be available on 15 April 1992 *only in respect of compensation income earned or received during the calendar year 1991*.

3. ID.; ID.; ID.; SOCIAL LEGISLATION INTENDED TO ALLEVIATE ECONOMIC PLIGHT OF LOWER INCOME TAXPAYERS. — In the end, it is the lower-income and the middle-income groups of taxpayers (not the high-income taxpayers) who stand to benefit most from the increase of personal and additional exemptions provided for by Rep. Act 7167. To that extent, the act is a social legislation intended to alleviate in part the present economic plight of the lower income taxpayers. It is intended to remedy the inadequacy of the heretofore existing personal and additional exemptions for individual taxpayers.

4. ID.; ID.; NATIONAL INTERNAL REVENUE CODE; AUTHORITY OF PRESIDENT UNDER SECTION 29, PARAGRAPH L, ITEM NO. 4 THEREOF TO ADJUST PERSONAL AND ADDITIONAL EXEMPTIONS. — Sec. 29, par. (L), Item No. 4 of the National Internal Revenue Code, as amended, provides: "Upon the recommendation of the Secretary of Finance, the President shall automatically adjust not more often than once every three years, the personal and additional exemptions taking into account, among others, the movement in consumer price indices, levels of minimum wages, and bare subsistence levels."

5. ID.; ID.; ID.; REVENUE REGULATION NO. 1-92 LITERALLY DEFERS EFFECTIVITY OF REPUBLIC ACT 7167 AND FRONTALLY COLLIDES WITH SECTION 3 THEREOF. — The personal exemptions as increased by Rep. Act 7167 cannot be regarded as available *only* in respect of compensation income received during 1992, as the implementing Revenue

Supreme Court E-Library

Regulations No. 1-92 purport to provide. Revenue Regulations No. 1-92 would in effect postpone the availability of the increased exemptions to 1 January - 15 April 1993, and thus literally defer the effectivity of Rep. Act 7167 to 1 January 1993. Thus, the implementing regulations collide frontally with Section 3 of Rep. Act 7167 which states that the statute "shall take effect upon its approval."

6. STATUTORY CONSTRUCTION; COURT CANNOT REFUSE TO APPLY LAW-MAKER'S WORDS. — But the law-making authority has spoken and the Court can not refuse to apply the law-maker's words. Whether or not the government can afford the drop in tax revenues resulting from such increased exemptions was for Congress (not this Court) to decide.

APPEARANCES OF COUNSEL

Rene B. Gorospe, Leighton R. Siazon, Manuel M. Sunga, Bienvenido T. Jamoralin, Jr. and *Paul D. Ungos* for petitioners.

D E C I S I O N

PADILLA, *J.*:

These consolidated cases are petitions for *mandamus* and prohibition, premised upon the following undisputed facts:

Congress enacted Rep. Act 7167, entitled "AN ACT ADJUSTING THE BASIC PERSONAL AND ADDITIONAL EXEMPTIONS ALLOWABLE TO INDIVIDUALS FOR INCOME TAX PURPOSES TO THE POVERTY THRESHOLD LEVEL, AMENDING FOR THE PURPOSE SECTION 29, PARAGRAPH (L), ITEMS (1) AND (2)(A) OF THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, AND FOR OTHER PURPOSES." It provides as follows:

"SECTION (1). The first paragraph of item (1), paragraph (1) of Section 29 of the National Internal Revenue Code, as amended, is hereby further amended to read as follows:

(1) Personal Exemptions allowable to individuals — (1) Basic personal exemption as follows:

Supreme Court E-Library

'For single individual or married individual judicially decreed as legally separated with no qualified dependents ₱9,000

For head of a family ..... ₱12,000

For married individual ..... ₱18,000

Provided, That husband and wife electing to compute their income tax separately shall be entitled to a personal exemption of ₱9,000 each.'

SEC. 2. The first paragraph of item (2)(A), paragraph (1) of Section 29 of the same Code, as amended, is hereby further amended to read as follows:

'(2) Additional exemption.

(A) Taxpayers with dependents. — A married individual or a head of family shall be allowed an additional exemption of Five Thousand Pesos (₱5,000) for each dependent: Provided, That the total number of dependents for which additional exemptions may be claimed shall not exceed four dependents: Provided, further, That an additional exemption of One Thousand Pesos (1,000) shall be allowed for each child who otherwise qualified as dependent prior to January 1, 1980: Provided, finally, That the additional exemption for dependents shall be claimed by only one of the spouses in case of married individuals electing to compute their income tax liabilities separately.'

SEC. 3. This act shall take effect upon its approval.

Approved."[1]

The said act was signed and approved by the President on 19 December 1991 and published on 14 January 1992 in "*Malaya*" a newspaper of general circulation.

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[1] Before the enactment of Rep. Act 7167, Executive Order No. 37 approved by the President on 31 July 1986, provided for the following personal and additional exemptions for individual taxpayers:

(1) Personal exemptions allowable to individuals. — (1) Basic personal exemption. — For the purpose of determining the tax provided in Section 21(a) of this Title, there shall be allowed a basic personal exemption as follows:

Supreme Court E-Library

On 26 December 1992, respondents promulgated Revenue Regulations No. 1-92, the pertinent portions of which read as follows:

"SEC. 1. SCOPE — Pursuant to Sections 245 and 72 of the National Internal Revenue Code in relation to Republic Act

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For single individual or married individual judicially decreed as legally separated with no qualified dependents	—	₱ 6,000
For head of a family	—	₱ 7,500
For married individual	—	₱12,000

Provided, That husband and wife electing to compute their income tax separately shall be entitled to a personal exemption of P6,000 each.

For purposes of this paragraph, the term 'Head of Family' means an unmarried or legally separated man or woman with one or both parents, or with one or more brothers or sisters, or with one or more legitimate, recognized natural or legally adopted children living with and dependent upon him' for their chief support, where such brothers or sisters or children are not more than twenty-one (21) years of age, unmarried and not gainfully employed or where such children, brothers or sisters, regardless of age are incapable of self-support because of mental or physical defect.

(2) Additional exemption.

A) Taxpayers with dependents. — A married individual or a head of family shall be allowed an additional exemption of Three thousand pesos (₱3,000) for each dependent: Provided, That the total number of dependents for which additional exemptions may be claimed shall not exceed four dependents: Provided, further, That an additional exemption of One thousand pesos (₱1,000) shall be allowed for each child who otherwise qualified as dependent prior to January 1, 1980: and Provided, finally, That the additional exemption for dependents shall be claimed by only one of the spouses in the case of married individuals electing to compute their income tax liabilities separately.

In case of legally separated spouses, additional exemptions may be claimed only by the spouse who was awarded custody of the child or children. Provided, That the total amount of additional exemptions that may be claimed by both shall not exceed the maximum additional exemptions herein allowed:

For purposes of this paragraph, a dependent means a legitimate, recognized natural or legally adopted child chiefly dependent upon and living with the taxpayer if such dependent is not more than twenty-one (21) years of age, unmarried and not gainfully employed or if such dependent, regardless of age, is incapable of self-support because of mental or physical defect.

Supreme Court E-Library

No. 7167, these Regulations are hereby promulgated prescribing the collection at source of income tax on compensation income paid on or after January 1, 1992 under the Revised Withholding Tax Tables (ANNEX "A") which take into account the increase of personal and additional exemptions.

xxx xxx xxx

SEC. 3. Section 8 of Revenue Regulations No. 6-82 as amended by Revenue Regulations No. 1-86 is hereby further amended to read as follows:

'Section 8. — Right to claim the following exemptions.'
xxx

Each employee shall be allowed to claim the following amount of exemption with respect to compensation paid on or after January 1, 1992.

xxx xxx xxx

SEC. 5. EFFECTIVITY. — These regulations shall take effect on compensation income from January 1, 1992."

On 27 February 1992, the petitioner in G.R. No. 104037, a taxpayer and a resident of Gitnang Bayan Bongabong, Oriental Mindoro, filed a petition for *mandamus* for himself and in behalf of all individual Filipino taxpayers, to COMPEL the respondents to implement Rep. Act 7167 with respect to taxable income of individual taxpayers earned or received on or after 1 January 1991 or as of taxable year ending 31 December 1991.

On 28 February 1992, the petitioners in G.R. No. 104069 likewise filed a petition for *mandamus* and prohibition on their behalf as well as for those other individual taxpayers who might be similarly situated, to compel the Commissioner of Internal Revenue to implement the mandate of Rep. Act 7167 adjusting the personal and additional exemptions allowable to individuals for income tax purposes in regard to income earned or received in 1991, and to enjoin the respondents from implementing Revenue Regulations No. 1-92.

Supreme Court E-Library

In the Court's resolution of 10 March 1992, these two (2) cases were consolidated. Respondents were required to comment on the petitions, which they did within the prescribed period.

The principal issues to be resolved in these cases are: (1) whether or not Rep. Act 7167 took effect upon its approval by the President on 19 December 1991, or on 30 January 1992, *i.e*., after fifteen (15) days following its publication on 14 January 1992 in the "Malaya" a newspaper of general circulation; and (2) assuming that Rep. Act 7167 took effect on 30 January 1992, whether or not the said law nonetheless covers or applies to compensation income earned or received during calendar year 1991.

In resolving the first issue, it will be recalled that the Court in its resolution in *Caltex (Phils.), Inc. vs. The Commissioner of Internal Revenue*, G.R. No. 97282, 26 June 1991 — which is on all fours with this case as to the first issue — held:

"The central issue presented in the instant petition is the effectivity of R.A. 6965 entitled 'An Act Revising The Form of Taxation on Petroleum Products from Ad Valorem to Specific, Amending For the Purpose Section 145 of the National Internal Revenue Code, As amended by Republic Act Numbered Sixty Seven Hundred Sixty Seven.'

Section 3 of R.A. 6965 contains the effectivity clause which provides, 'This Act shall take effect upon its approval.'

R.A. 6965 was approved on September 19, 1990. It was published in the Philippine Journal, a newspaper of general circulation in the Philippines, on September 20, 1990. Pursuant to the Act, an implementing regulations was issued by the Commissioner of Internal Revenue, Revenue Memorandum Circular 85-90, stating that R.A. 6965 took effect on October 5, 1990. Petitioner took exception thereof and argued that the law took effect on September 20, 1990 instead.

Pertinent is Article 2 of the Civil Code (as amended by Executive Order No. 200) which provides:

'Article 2. Laws shall take effect after fifteen days following the completion of their publication either in the official Gazette

Supreme Court E-Library

> or in a newspaper of general circulation in the Philippines, unless it is otherwise provided. xxx'

In the case of *Tañada vs. Tuvera* (L-63915, December 29, 1986, 146 SCRA 446, 452) we construed Article 2 of the Civil Code and laid down the rule:

> 'xxx : the) clause 'unless it is otherwise provided' refers to the date of effectivity and not to the requirement of publication itself, which cannot in any event be omitted. This clause does not mean that the legislator may make the law effective immediately upon approval, or on any other date without its previous publication.'
>
> 'Publication is indispensable in every case, but the legislature may in its discretion provide that the usual fifteen-day period shall be shortened or extended. xxx'

Inasmuch as R.A. 6965 has no specific date for its effectivity and neither can it become effective upon its approval notwithstanding its express statement, following Article 2 of the Civil Code and the doctrine enunciated in Tañada, *supra*, R.A. 6965 took effect fifteen days after September 20, 1990, or specifically, on October 5, 1990."

Accordingly, the Court rules that Rep. Act 7167 took effect on 30 January 1992, which is after fifteen (15) days following its publication on 14 January 1992 in the "Malaya."

Coming now to the second issue, the Court is of the considered view that Rep. Act 7167 should cover or extend to compensation income earned or received during calendar year 1991.

Sec. 29, par. (L), Item No. 4 of the National Internal Revenue Code, as amended, provides:

> "Upon the recommendation of the Secretary of Finance, the President shall automatically adjust not more often than once every three years, the personal and additional exemptions taking into account, among others, the movement in consumer price indices, levels of minimum wages, and bare subsistence levels."

As the personal and additional exemptions of individual taxpayers were last adjusted in 1986, the President, upon the recommendation of the Secretary of Finance, could have adjusted

Supreme Court E-Library

the personal and additional exemptions in 1989 by increasing the same even without any legislation providing for such adjustment. But the President did not.

However, House Bill 28970, which was subsequently enacted by Congress as Rep Act 7167, was introduced in the House of Representatives in 1989 although its passage was delayed and it did not become effective law until 30 January 1992. A perusal, however, of the sponsorship remarks of Congressman Hernando B. Perez, Chairman of the House Committee on Ways and Means, on House Bill 28970, provides an indication of the intent of Congress in enacting Rep. Act 7167. The pertinent legislative journal contains the following.

"At the outset, Mr. Perez explained that the Bill Provides for increased personal additional exemptions to individuals in view of the higher standard of living.

"The Bill, he stated, limits the amount of income of individuals subject to income tax to enable them to spend for basic necessities and have more disposable income.

xxx xxx xxx

"Mr. Perez added that inflation has raised the basic necessities and that it had been three years since the last exemption adjustment in 1986.

xxx xxx xxx

"Subsequently, Mr. Perez stressed the necessity of passing the measure to mitigate the effects of the current inflation and of the implementation of the salary standardization law. Stating that it is imperative for the government to take measures to ease the burden of the individual income tax filers, Mr. Perez then cited specific examples of how the measure can help assuage the burden to the taxpayers.

"He then reiterated that the increase in the prices of commodities has eroded the purchasing power of the peso despite the recent salary increases and emphasized that the Bill will serve to compensate the adverse effects of inflation on the taxpayers. xxx" (Journal of the House of Representatives, May 23, 1990, pp. 32-33).

Supreme Court E-Library

It will also be observed that Rep. Act 7167 speaks of the adjustments that it provides for, as adjustments "*to the poverty threshold level*". Certainly, "the poverty threshold level" is the poverty threshold level at the time Rep. Act 7167 was enacted by Congress, not poverty threshold levels *in futuro*, at which time there may be need of further adjustments in personal exemptions. Moreover, the Court can not lose sight of the fact that these personal and additional exemptions are *fixed amounts* to which an individual taxpayer is entitled, as a means to cushion the devastating effects of high prices and a depreciated purchasing power of the currency. In the end, it is the lower-income and the middle-income groups of taxpayers (not the high-income taxpayers) who stand to benefit most from the increase of personal and additional exemptions provided for by Rep. Act 7167. To that extent, the act is a social legislation intended to alleviate in part the present economic plight of the lower income taxpayers. It is intended to remedy the inadequacy of the heretofore existing personal and additional exemptions for individual taxpayers.

And then, Rep. Act 7167 says that the increased personal exemptions that it provides for shall be available thenceforth, that is, after Rep. Act 7167 shall have become effective. In other words, these exemptions are available upon the filing of personal income tax returns which is, under the National Internal Revenue Code, done not later than the 15th day of April after the end of a calendar year. Thus, under Rep. Act 7167, which became effective, as aforestated, on 30 January 1992, the increased exemptions are literally available *on or before 15 April 1992* (though not before 30 January 1992). But these increased exemptions can be available on 15 April 1992 *only in respect of compensation income earned or received during the calendar year 1991*.

The personal exemptions as increased by Rep. Act 7167 cannot be regarded as available in respect of compensation income received during the *1990* calendar year; the tax due in respect of said income had already accrued, and been presumably paid, by 15 April 1991 and by 15 July 1991, at which time Rep. Act 7167 had not been enacted. To make Rep. Act 7167 refer

Supreme Court E-Library

back to income received during 1990 would require language explicitly retroactive in purport and effect, language that would have to authorize the payment of refunds of taxes paid on 15 April 1991 and 15 July 1991: such language is simply not found in Rep. Act 7167.

The personal exemptions as increased by Rep. Act 7167 cannot be regarded as available *only* in respect of compensation income received during *1992*, as the implementing Revenue Regulations No. 1-92 purport to provide. Revenue Regulations No. 1-92 would in effect postpone the availability of the increased exemptions to 1 January - 15 April 1993, and thus literally defer the effectivity of Rep. Act 7167 to 1 January 1993. Thus, the implementing regulations collide frontally with Section 3 of Rep. Act 7167 which states that the statute "shall take effect upon its approval." The objective of the Secretary of Finance and the Commissioner of Internal Revenue in postponing through Revenue Regulations No. 1-92 the legal effectivity of Rep. Act 7167 is, of course, entirely understandable — *to defer to 1993* the reduction of governmental tax revenues which irresistibly follows from the application of Rep. Act 7167. But the law-making authority has spoken and the Court can not refuse to apply the law-maker's words. Whether or not the government can afford the drop in tax revenues resulting from such increased exemptions was for Congress (not this Court) to decide.

WHEREFORE, Sections 1, 3 and 5 of Revenue Regulations No. 1-92 which provide that the regulations shall take effect on compensation income earned or received from 1 January 1992 are hereby SET ASIDE. They should take effect on compensation income earned or received from 1 January 1991.

Since this decision is promulgated after 15 April 1992, the individual taxpayers entitled to the increased exemptions on compensation income earned during calendar year 1991 who may have filed their income tax returns on or before 15 April 1992 (later extended to 24 April 1992) without the benefit of such increased exemptions, are entitled to the corresponding tax refunds and/or credits, and respondents are ordered to effect such refunds and/or credits. No costs.

Supreme Court E-Library

SO ORDERED.

Narvasa, C.J., Gutierrez, Jr., Feliciano, Bidin, Griño-Aquino, Medialdea, Regalado, Davide, Jr., Romero, Nocon, and *Bellosillo, JJ.,* concur.

Cruz, J., see concurring opinion.

Paras, J., see concurring and dissenting opinion.

CONCURRING OPINION

CRUZ, *J.*:

As the ponente of *Tañada v. Tuvera*, 146 SCRA 446. I should like to make these brief observations on my brother Paras's separate opinion. He says that "the *ratio decidendi* in that case was the ruling that without publication, there can be no effectivity." Yet, while accepting this, he contends that, pursuant to its terms, R.A. 7167 became effective upon approval (*i.e.*, even without publication). He adds that "since this law was approved by the President in December, 1991, its subsequent publication in the January 1992 issue of the Civil Code is actually immaterial." I confess I am profoundly bemused.

CONCURRING AND DISSENTING

PARAS, *J.*:

I wish to concur with the majority opinion penned in this case by Justice Teodoro Padilla, because I believe that the tax exemptions referred to in the law should be effective already with respect to the income earned for the year 1991. After all, even if We say that the law became effective only in 1992, still this can refer only to the income obtained in 1991 since after all, what should be filed in 1992 is the income tax return of the income earned in 1991.

However, I wish to dissent from the part of the decision which affirms the *obiter dictum* enunciated in the case of *Tañada vs.*

Supreme Court E-Library

Tuvera (146 SCRA 446, 452) to the effect that a law becomes effective not on the date expressly provided for in said law, but on the date after fifteen (15) days from the publication in the Official Gazette or any national newspaper of general circulation, I say *obiter dictum* because the doctrine mentioned is not the actual issue in the case of *Tañada vs. Tuvera* (*supra*). In that case, several presidential decrees of President Marcos were issued, but they were never published in the Official Gazette or in any national newspaper of general circulation. The real issue therefore in said case was whether or not said Presidential decrees ever became effective. The Court ruled with respect to this issue (and not any other issue — since there was no other issue whatsoever), that said presidential decrees never became effective. In other words, the *ratio decidendi* in that case was the ruling that *without publication, there can be no effectivity*. Thus, the statement as to which should be applied — "after fifteen (15) days from publication" or "unless otherwise provided by law" (Art. 2. Civil Code) was mere *obiter*. The subsequent ruling in the resolution dated June 26, 1991 in *Caltex, Inc. vs. Com. of Internal Revenue* cannot likewise apply because it was based on the aforesaid *obiter* in *Tañada v. Tuvera* (*supra*). In the instant tax exemptions case, the law says *effective upon approval*, therefore, since this law was approved by the President in December, 1991, its subsequent publication in the January 1992 issue of the Civil Code is actually immaterial.

Art. 2 of the Civil Code which states:

"Laws shall take effect after fifteen days following the completion of their publication in the Official Gazette, unless it is otherwise provided. This Code shall take effect one year after such publication."

It is very clear and needs no interpretation or construction.