

THIRD DIVISION

[G.R. No. 185588, February 02, 2010]

**PHILIPPINE BRITISH ASSURANCE COMPANY, INC., PETITIONER,
VS. REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE
BUREAU OF CUSTOMS (BOC), RESPONDENT.**

DECISION

VELASCO JR., J.:

The Case

This Petition for Review on Certiorari under Rule 45 seeks to reverse and set aside the July 23, 2008^[1] and November 28, 2008^[2] Resolutions of the Court of Appeals (CA) in CA-G.R. CV No. 88786, entitled *Republic of the Philippines represented by the Bureau of Customs (BOC) v. Philippine British Assurance Company, Inc.*

The Facts

Petitioner Philippine British Assurance Company, Inc. is an insurance company duly organized and existing under and by virtue of the laws of the Republic of the Philippines. As such, petitioner issues customs bonds to its clients in favor of the BOC. These bonds secure the release of imported goods in order that the goods may be released from the BOC without prior payment of the corresponding customs duties and taxes. Under these bonds, petitioner and its clients jointly and severally bind themselves to pay the BOC the face value of the bonds, in the event that the bonds expire without either the imported goods being re-exported or the proper duties and taxes being paid.

On December 9, 2003, the Republic, represented by the BOC, filed a Complaint dated December 3, 2003^[3] against petitioner for Collection of Money with Damages before the Regional Trial Court, Branch 20 in Manila. The case was docketed as Civil Case No. 03-108583, entitled *Republic of the Philippines represented by the Bureau of Customs v. Philippine British Assurance Company, Inc.* It was alleged in the Complaint that petitioner had outstanding unliquidated customs bonds with the BOC.

After hearing, the trial court issued a Decision dated September 21, 2006,^[4] the dispositive portion of which states:

PREMISES CONSIDERED, the Court finds for the Plaintiff Republic of the Philippines represented by the Bureau of Customs and the defendant British Assurance Company, Inc., is hereby ordered to pay the plaintiff the amount of Php736,742.03 representing defendant's unpaid/unliquidated customs bonds plus legal interest from the finality of

this Decision. Defendant's counterclaims are hereby DISMISSED.

SO ORDERED.

From such Decision, petitioner filed a motion for reconsideration which the trial court denied in an Order dated February 5, 2007.

Thus, petitioner appealed the Decision to the CA.

The CA thereafter issued the first assailed Resolution dated July 23, 2008 dismissing the case for lack of jurisdiction.

Petitioner, thus, filed a Motion for Reconsideration dated August 11, 2008.^[5] It was, however, denied by the CA in its second assailed Resolution.

Hence, we have this petition.

The Issues

A.

The [CA] committed serious error of law when it ruled that it has no jurisdiction over the appeal and the same lies with the Court of Tax Appeals because the instant case is a tax collection case.

B.

The [CA] committed serious error of law when it failed to rule that customs bonds are in the nature of a contract between the surety and the Bureau of Customs.^[6]

The Court's Ruling

This petition must be granted.

The CA Has Jurisdiction over the Instant Case

The CA ruled in the first assailed Resolution that it had no jurisdiction over the subject matter of the appeal, thus:

With the foregoing in mind, it cannot be denied that the issuance of such bonds is rooted on, based upon, and interrelated with the payment of taxes and customs duties. Strictly speaking, therefore, BOC's suit against British Assurance is one for collection of taxes. Taking in mind that this appeal, filed on March 13, 2007, involves a tax case decided by the RTC in the exercise of its original jurisdiction, it necessarily follows that jurisdiction over the same is with the Court of Tax Appeals pursuant to Republic Act No. 9282.^[7]

On the other hand, petitioner argues that "in as much as Respondent's right was initially based on its right to collect duties and taxes, the same was converted to a right arising out of a contract, the bond being a contract between Respondent and Petitioner x x x."^[8] In support of such contention, petitioner cites *Republic of the Philippines v. Mambulao Lumber (Mambulao)*,^[9] wherein we ruled:

Although the original obligation of the lumber company arose from non-payment of taxes, the complaint against said Company and the Surety is predicated upon the bond executed by them. In other words, plaintiff's right originally arising from law has become a right based upon a written contract, enforceable within ten (10) years x x x.

We agree with petitioner's contention.

Republic Act No. (RA) 9282^[10] amended Section 7 of RA 1125 to read as follows:

Section 7. Section 7 of the same Act is hereby amended to read as follows:

"Sec. 7. Jurisdiction. - The CTA shall exercise:

"a. Exclusive appellate jurisdiction to review by appeal, as herein provided:

x x x x

"3. Decisions, orders or resolutions of the Regional Trial Courts in **local tax cases** originally decided or resolved by them in the exercise of their original or appellate jurisdiction. (Emphasis supplied.)

In the instant case, the original complaint filed with the trial court was in the nature of a collection case, purportedly to collect on the obligation of petitioner by virtue of the bonds executed by it in favor of respondent, essentially a contractual obligation.

As petitioner correctly points out, an action to collect on a bond used to secure the payment of taxes is not a tax collection case, but rather a simple case for enforcement of a contractual liability.

In *Mambulao*, Mambulao Lumber Company (MLC) was liable for deficiency sales tax to the Republic. The parties agreed to an installment plan, whereby MLC obligated itself to pay such obligation in 12 equal monthly installments. To secure the installment payments, MLC and Mambulao Insurance and Surety Corporation executed a surety bond in favor of the Republic. MLC defaulted in the payment of its obligation. Thus, the Republic proceeded against the surety bond. MLC sought the dismissal of the case against it on the ground of prescription, arguing that under Sec. 331, in relation to Sec. 183(A), of the National Internal Revenue Code (NIRC),