

THIRD DIVISION

[G.R. No. 234446, July 24, 2019]

VICTORIA MANUFACTURING CORPORATION EMPLOYEES UNION, PETITIONER, VS. VICTORIA MANUFACTURING CORPORATION, RESPONDENT.

D E C I S I O N

A. REYES, JR., J.:

Like courts, administrative boards and officers vested with quasi-judicial power may only exercise jurisdiction over matters that their enabling statutes confer in them. This rule applies even though the parties hold out to the administrative agency concerned that it has jurisdiction over a particular dispute. Generally, lack of jurisdiction may be raised at any time, and is a defense that cannot be lost. However, by way of narrow exception, the doctrine of estoppel by laches, which rests on considerations of public policy, may effectively bar jurisdictional challenges. But it must be emphasized that the doctrine finds application only where the jurisdictional issue is so belatedly raised that it may be presumed to have been waived by the invoking party.

This is a petition for review on *certiorari*^[1] questioning the May 26, 2017 Decision^[2] and the August 30, 2017 Resolution^[3] rendered by the Court of Appeals (CA) in CA-G.R. SP No. 146672, through which the May 26, 2016 Decision^[4] of Voluntary Arbitrator (VA) Renato Q. Bello was set aside insofar as the respondent, Victoria Manufacturing Corporation (VMC), was ordered to reimburse the income tax withheld from the salaries of the members of the petitioner, Victoria Manufacturing Corporation Employees Union (VMCEU).

The Factual Antecedents

VMC is a domestic corporation engaged in the textile business. Aside from dyeing and finishing fabrics, it manufactures laces, embroidered and knitted fabrics, and hooks and eyes.^[5]

On the other hand, VMCEU is the sole and exclusive bargaining agent of the permanent and regular rank-and-file employees within the pertinent bargaining unit of VMC.^[6]

Through a letter dated March 14, 2014, VMC sought the opinion of the Bureau of Internal Revenue (BIR) on the tax implications of the wage structure that was stipulated in the collective bargaining agreement (CBA) between the company and VMCEU. At the time, the applicable minimum wage was P466.00, broken down into a basic wage of P451.00 and a cost of living allowance (COLA) of P15.00, as mandated by Wage Order No. NCR-18. This was different from the company's wage

structure, which integrated the COLA it to the total wage it paid VMCEU's members, viz.:^[7]

	VMC wage structure pursuant to the CBA	Minimum wage mandated by Wagee Order No. NCR-18
Basic wage	P466.00	P451.00
COLA	n/a	P15.00
TOTAL	P466.00	P466.00

In response to VCM's letter, the BIR opined that VMCEU's members were not exempt from income tax, as what they were earning was above the statutory minimum wage mandated by Wage Order No. NCR-18.^[8]

As a result, VMC withheld the income tax due on the wages of VMCEU's members.

On May 8, 2015, VMC and VMCEU held a grievance meeting to settle various issues, including the company's decision to withhold income tax from the wages of the union members who were earning the statutory minimum wage. Unfortunately, the parties failed to resolve the issue.^[9]

After failing to reach an amicable settlement before the National Conciliation and Mediation Board, VMC and VMCEU executed a Submission Agreement,^[10] designating AVA Renato Q. Bello to resolve whether the company properly withheld the income tax due from the union's members, among other issues.

After VMC and VMCEU submitted their respective position papers and replies, the case was submitted for decision.

The VA's Ruling

On May 26, 2016, the VA rendered a Decision in favor of VMCEU, ruling that VMC erroneously withheld income tax from the wages of the union's members. Ratiocinating that the subject employees were statutory minimum wage earners, it was held that they were exempt from the payment of income tax, pursuant to Republic Act (R.A.) No. 9504.^[11] As such, the ruling contained an order directing the company to reimburse the withheld income tax, viz.:

WHEREFORE, premises considered, a decision is hereby rendered
ORDERING respondent VICTORIA MANUFACTURING CORPORATION to:

x x x x

2.) reimburse all its rank-and-file minimum wage earners who are exempt from income taxes with the amounts it erroneously withheld.

x x x x

SO DECIDED.^[12]

Aggrieved, VMC sought relief before the CA through a petition for *certiorari*.^[13]

The CA's Ruling

On May 26, 2017, the CA rendered the challenged Decision, reversing the VA's ruling. The appellate court, after brushing aside VMC's resort to the wrong remedy,^[14] held that the jurisdiction of VAs is limited to labor disputes.^[15] As such, the VA could not validly rule on the propriety of VMC's decision to withhold the income taxes of VMCEU's members, a matter properly within the competence of the BIR.^[16] Hence, the CA set aside the VA's decision, *viz.*:

ACCORDINGLY, the petition is **GRANTED** and the assailed Decision dated May 26, 2016, **NULLIFIED**.

SO ORDERED.^[17] (Emphasis in the original)

After the denial of its motion for reconsideration, VMCEU filed the instant petition, arguing that the CA should not have allowed VMC to question the VA's jurisdiction because the company: (1) actively participated in the arbitration proceedings and, at the time, never raised lack of jurisdiction; and (2) voluntarily bound itself, through the Submission Agreement, to abide by the VA's decision.^[18] Essentially, the union contends that the company was estopped from challenging the VA's jurisdiction.

The Issue

Whether or not the CA correctly set aside the VA's decision on the ground of lack of jurisdiction

The Court's Ruling

The CA's decision is sustained.

Jurisdiction is the power of a court, tribunal, or officer to hear, try, and decide a case.^[19]

The seminal *ponencia* in *El Banco Español-Filipino v. Palanca*^[20] instructs that a court, in order to validly try a civil case, must be possessed of two types of jurisdiction: (1) jurisdiction over the subject matter; and (2) jurisdiction over the parties.^[21] Relevant to the resolution of the issue raised in this case is the first, which, broadly defined, is "the power to hear and determine the general class to which the proceedings in question belong"^[22] or, in the words of *Palanca*, "the authority of the court to entertain a particular kind of action or to administer a particular kind of relief."^[23]

Emanating from the sovereign authority that organizes courts,^[24] jurisdiction over the subject matter is conferred by law. It is determined by the allegations in the complaint based on the character of the relief sought.^[25] Verily, if the relief sought is the payment of a certain sum of money, the complaint must be filed before the court on which the law bestows the power to grant money judgments of that

amount. If the complaint is filed before any other court, the only power that court has is to dismiss the case.^[26] It is axiomatic that a judgment rendered by a court without jurisdiction over the subject matter produces no legal effect.^[27]

The above principles apply analogously to administrative boards and officers exercising quasi-judicial power,^[28] such as VAs constituted under the Labor Code.

Relevantly, the Labor Code vests in VAs the power to hear and decide labor disputes, viz.:

Art. 261. Jurisdiction of Voluntary Arbitrators or panel of Voluntary Arbitrators. The Voluntary Arbitrator or panel of Voluntary Arbitrators shall have original and exclusive jurisdiction to hear and decide all unresolved grievances arising from the interpretation or implementation of the Collective Bargaining Agreement and those arising from the interpretation or enforcement of company personnel policies x x x.

Art. 262. Jurisdiction over other labor disputes. The Voluntary Arbitrator or panel of Voluntary Arbitrators, upon agreement of the parties, shall also hear and decide all other labor disputes including unfair labor practices and bargaining deadlocks.^[29]

Did the VA, pursuant to the above provisions, have jurisdiction to rule on the legality of VMC's act of withholding income tax from the salaries of VMCEU's members?

The answer is in the negative.

In *Honda Cars Philippines, Inc. v. Honda Cars Technical Specialist and Supervisors Union*,^[30] the Court ruled that VAs have no competence to rule on the propriety of withholding of tax. That case concerned the withholding of income tax from union members relative to unused gasoline allowance. The company claimed that the benefit was tied up to a similar company policy enjoyed by managers and assistant vice-presidents, who were allowed to convert the unutilized portion of their monthly gasoline allowance into cash, subject to whatever tax may be applicable. Since the union and the company could not agree on the proper tax treatment of the converted allowance, the dispute was submitted to a Panel of VAs. In the arbitration proceedings, it was held that the company's act of withholding was improper since the cash conversion was not subject to income tax. When the case eventually reached the Court, the panel's decision was declared null and void on the ground that VAs have no jurisdiction to settle tax matters. Ruling that the jurisdiction of VAs is limited to labor disputes, the Court declared that the company and the union should have submitted the question to the Commissioner of Internal Revenue (CIR),^[31] viz.:

The [VA] has no competence to rule on the taxability of the gas allowance and on the propriety of the withholding of tax. These issues are clearly tax matters, and do not involve labor disputes. To be exact, they involve tax issues within a labor relations setting, as they pertain to questions of law on the application of Section 33 (A) of the [Tax Code]. They do not require the application of the Labor Code or the

interpretation of the [Memorandum of Agreement] and/or company personnel policies. Furthermore, the company and the union cannot agree or compromise on the taxability of the gas allowance. Taxation is the State's inherent power; its imposition cannot be subject to the will of the parties.

Under paragraph 1, Section 4 of the [Tax Code], the CIR shall have the exclusive and original jurisdiction to interpret the provisions of the [Tax Code] and other tax laws, subject to review by the Secretary of Finance. Consequently, if the company and/or the union desire/s to seek clarification of these issues, it/they should have requested for a tax ruling from the Bureau of Internal Revenue (BIR). x x x

x x x x

On the other hand, if the union disputes the withholding of tax and desires a refund of the withheld tax, it should have filed an administrative claim for refund with the CIR. Paragraph 2, Section 4 of the [Tax Code] expressly vests the CIR original jurisdiction over refunds of internal revenue taxes, fees or other charges, penalties imposed in relation thereto, or other tax matters.^[32] (Citations omitted)

Honda Cars espouses a sound view. The *ponencia* recognized that the jurisdiction of an administrative body must be confined to matters within its specialized competence. Since the withholding of tax from employees' salaries is governed by the Tax Code, disputes involving the propriety or legality of withholding should be submitted to the CIR, the administrative body vested with the power to interpret tax laws, and not the VA, whose jurisdiction is limited to labor disputes. After all, quasi-judicial bodies only possess jurisdiction over matters that are conferred upon them by their enabling statutes.^[33]

Turning now to VMCEU's arguments, did VMC's execution of the Submission Agreement and active participation in the arbitration proceedings operate to rectify the VA's lack of jurisdiction?

Again, the answer is in the negative.

As mentioned above, jurisdiction is conferred by law. As a result, absent a statutory grant, the actions, representations, declarations, or omissions of a party will not serve to vest jurisdiction over the subject matter in a court, board, or officer.^[34] Simply put, "judicial or quasi-judicial jurisdiction cannot be conferred upon a tribunal by the parties alone."^[35] As the Court explained in *La Naval Drug Corporation v. Court of Appeals*:^[36]

x x x Whenever it appears that the court has no jurisdiction over the subject matter, the action shall be dismissed. This defense may be interposed at any time, during appeal or even after final judgment. Such is understandable, as this kind of jurisdiction is conferred by law and not within the courts, let alone the parties, to themselves determine or conveniently set aside.^[37] (Citations omitted)