REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL FIRST DIVISION

THE LOCAL GOVERNMENT UNIT OF CAMARINES SUR, *Petitioner,*	**CTA AC No. 264** Members:
-versus-	**DEL ROSARIO,** *P.J., Chairperson,* **MANAHAN,** *and* **REYES-FAJARDO,** *JJ.*
CAMARINES SUR II ELECTRIC COOPERATIVE, INC. (CASURECO II) AND THE LOCAL GOVERNMENT UNIT OF NAGA CITY, *Respondents.*	Promulgated: DEC 19 2023 11:25am

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DECISION

MANAHAN, *J.:*

Before this Court is a *Petition for Review* filed by petitioner Local Government Unit of Camarines Sur (Province of Camarines Sur) on December 9, 2021,[1] assailing the Decision dated September 17, 2021[2] and the Order dated November 2, 2021,[3] both rendered by the Regional Trial Court of Naga City (RTC) – Branch 21, in Special Civil Case No. RTC 2020-0105, entitled "*Camarines Sur II Electric Cooperative, Inc. (CASURECO II) vs. The Local Government Unit of Camarines Sur and The Local Government Unit of Naga City*", the dispositive portions of which respectively read as follows:

Decision dated September 17, 2021:

> "**WHEREFORE**, in view of all the foregoing, judgment is hereby rendered as follows:
>
> 1. ***DECLARING*** defendant LGU-Naga City as the sole local government unit entitled to plaintiff CASURECO II's local franchise tax on gross receipts earned within its entire coverage

[1] Docket, pp. 5 to 17.
[2] Docket, pp. 18 to 30; RTC Docket (Special Civil Case No. RTC 2020-0105), pp. 259 to 271.
[3] Docket, pp. 31 to 32; RTC Docket (Special Civil Case No. RTC 2020-0105), pp. 283 to 284.

area, particularly Naga City and the Municipalities of Pili, Milaor, Minalabac, Canaman, Magarao, Bombon, Calabanga, Tinambac, and Siruma, all in the Province of Camarines Sur. Consequently, plaintiff CASURECO II is directed to ***PAY*** LGU-Naga City the proper local franchise tax due within the aforesaid coverage area, unless prescribed;

2. ***ENJOINING*** defendant LGU-Camarines Sur from assessing and collecting local franchise tax from plaintiff CASURECO II; and

3. ***DISMISSING*** plaintiff CASURECO II's claim from LGU-Camarines Sur for refund of collected franchise taxes for calendar years 2012 and 2016 amounting to ₱323,990.03 and ₱395,744.37, respectively, or a total amount ₱719,734.40, as well as for the reimbursement of filing fees it paid in instituting this interpleader case, for lack of factual, legal and equitable justification.

SO ORDERED."

<u>Order dated November 2, 2021</u>:

"**WHEREFORE**, the instant *Partial Motion for Reconsideration* filed by defendant LGU-Camarines Sur is ***DENIED*** for lack of merit.

SO ORDERED."

THE PARTIES

Petitioner Province of Camarines Sur has its principal office located at the Office of the Provincial Legal Officer, Provincial Capitol Complex, Cadlan, Pili, Camarines Sur.[4]

Respondent Camarines Sur II Electric Cooperative, Inc. (CASURECO II) is an electric cooperative duly organized and existing by virtue of Presidential Decree No. 269, as amended by Republic Act No. 10531, with principal office address at

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[4] Par. 2, The Parties, respondent CASURECO II's *Verified Complaint*, RTC Docket (Special Civil Case No. 2020-0105), p. 2, vis-à-vis par. 2, petitioner Province of Camarines Sur's *Answer*, RTC Docket (Special Civil Case No. 2020-0105), p. 132. *am*

CASURECO II Compound, Barangay Del Rosario, Naga City.[5] It is a holder of exclusive franchise for the distribution of electric power to various end-users and member-consumers within the City of Naga and nine (9) municipalities in the Province of Camarines Sur, namely: Pili, Milaor, Minalabac, Canaman, Magarao, Bombon, Calabanga, Tinambac, and Siruma.[6]

Respondent Local Government Unit of Naga City (Naga City) has its principal office located at the Office of the City Mayor, City Hall Compound, J. Miranda Avenue, Concepcion Pequeña, Naga City.[7]

ANTECEDENTS (ADMINISTRATIVE LEVEL)

Respondent Naga City assessed and collected franchise tax from respondent CASURECO II based on gross receipts earned within Naga City, while petitioner Province of Camarines Sur assessed and collected franchise tax from respondent CASURECO II based on gross receipts earned within the aforesaid nine (9) municipalities in Camarines Sur.[8]

On September 5, 2012, the Supreme Court promulgated its Decision in "*City of Iriga v. Camarines Sur III Electric Cooperative, Inc.*"[9] (*City of Iriga* case), affirming the City of Iriga's power to assess and collect franchise tax based on gross receipts earned within the entire coverage of CASURECO III, specifically, the City of Iriga and other covered municipalities of the Fifth (5th) District of Camarines Sur known as the *"Rinconada Area"*.[10]

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[5] Par. 1, The Parties, respondent CASURECO II's *Verified Complaint*, RTC Docket (Special Civil Case No. 2020-0105), p. 1, vis-à-vis par. 1, respondent Naga City's *Answer*, RTC Docket (Special Civil Case No. 2020-0105), p. 66, and par. 1, petitioner Province of Camarines Sur's *Answer*, RTC Docket (Special Civil Case No. 2020-0105), p. 132.

[6] Par. 4, Factual Antecedents, respondent CASURECO II's *Verified Complaint*, RTC Docket (Special Civil Case No. 2020-0105), p. 2, vis-à-vis par. 6, respondent Naga City's *Answer*, RTC Docket (Special Civil Case No. 2020-0105), p. 67, and par. 3, respondent Province of Camarines Sur's *Answer*, RTC Docket (Special Civil Case No. 2020-0105), p. 132.

[7] Par. 3, The Parties, respondent CASURECO II's *Verified Complaint*, RTC Docket (Special Civil Case No. 2020-0105), p. 2.

[8] Par. 7, Factual Antecedents, respondent CASURECO II's *Verified Complaint*, RTC Docket (Special Civil Case No. 2020-0105) p. 3.

[9] G.R. No. 192945, September 5, 2012.

[10] Par. 8, The Parties, respondent CASURECO II's *Verified Complaint*, RTC Docket (Special Civil Case No. 2020-0105), p. 3 vis-à-vis Par. 9, respondent Naga City's *Answer*, RTC Docket (Special Civil Case No. 2020-0105), p. 67.

Notwithstanding the aforesaid ruling, petitioner Province of Camarines Sur still assessed respondent CASURECO II on May 5, 2017 for franchise tax for calendar years (CYs) 2012 to 2016.[11] As such, respondent CASURECO II made a partial payment of the said franchise tax, but only for CYs 2012 and 2016 on July 7, 2017[12] and March 27, 2017[13], in the respective amounts of ₱323,990.03 and ₱395,744.37.

However, the City Treasurer of Naga City also made the same demand for payment of franchise tax based on respondent CASURECO II's gross receipts earned not only within the City of Naga, but also gross receipts earned from the said nine (9) municipalities, pursuant to the ruling in the *City of Iriga* case.[14]

Due to conflicting claims on franchise tax, respondent CASURECO II entered into series of talks with both local government units. (LGUs)[15]

Meanwhile, respondent Naga City allowed respondent CASURECO II to merely pay the franchise taxes based on gross receipts earned within Naga City, pending resolution of the issue with the provincial government.[16] But in the letter dated May 30, 2019 issued by the City Treasurer of Naga City, the latter demanded payment of franchise tax based on gross receipts of the entire coverage area of respondent CASURECO II [Naga City and the subject nine (9) municipalities].[17]

As such, respondent CASURECO II sent the letter dated January 27, 2020[18] to the Office of the Provincial Treasurer of the Province of Camarines Sur, requesting confirmation that it

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[11] Exhibit "B", RTC Docket (Special Civil Case No. 2020-0105), p. 23.
[12] Exhibit "C", RTC Docket (Special Civil Case No. 2020-0105), p. 24.
[13] Exhibit "C-1", RTC Docket (Special Civil Case No. 2020-0105), p. 25.
[14] Par. 12, Factual Antecedents, respondent CASURECO II's *Verified Complaint,* RTC Docket (Special Civil Case No. 2020-0105), p. 5 vis-à-vis Par. 12, respondent Naga City's *Answer*, RTC Docket (Special Civil Case No. 2020-0105), p. 67.
[15] Par. 15, Factual Antecedents, respondent CASURECO II's *Verified Complaint,* RTC Docket (Special Civil Case No. 2020-0105), p. 6 vis-à-vis Par. 15, respondent Naga City's *Answer*, RTC Docket (Special Civil Case No. 2020-0105), p. 68.
[16] Par. 16, Factual Antecedents, respondent CASURECO II's *Verified Complaint,* RTC Docket (Special Civil Case No. 2020-0105), p. 6 vis-à-vis Par. 16, respondent Naga City's *Answer*, RTC Docket (Special Civil Case No. 2020-0105), p. 68.
[17] Exhibit "F", RTC Docket (Special Civil Case No. 2020-0105), p. 30.
[18] Exhibit "G", RTC Docket (Special Civil Case No. 2020-0105), pp. 31 to 33 vis-à-vis Par. 18, Factual Antecedents, respondent CASURECO II's *Verified Complaint,* RTC Docket (Special Civil Case No. 2020-0105), p. 6 and petitioner Province of Camarines Sur's *Answer*, RTC Docket (Special Civil Case No. 2020-0105), p. 133. am

will no longer assess and collect franchise tax on gross receipts earned within the said nine (9) municipalities, in light of the ruling in the *City of Iriga* case. However, said request was denied by the Office of the Provincial Treasurer in its letter dated February 7, 2020.[19]

PROCEEDINGS BEFORE THE RTC-NAGA CITY

Due to conflicting claims on franchise tax based on gross receipts earned within the subject nine (9) municipalities, respondent CASURECO II filed a *Verified Complaint for Interpleader* against petitioner Province of Camarines Sur and respondent Naga City before the RTC on December 22, 2020.[20] The said case was docketed as Special Civil Case No. RTC 2020-0105 and was raffled to RTC – Branch 21.

Respondent Naga City filed its *Answer* on January 29, 2021,[21] alleging that respondent CASURECO II is liable to pay respondent Naga City of franchise tax for all its gross receipts within the City of Naga and the subject nine (9) municipalities, pursuant to the ruling in the *City of Iriga* case.

On the other hand, petitioner Province of Camarines Sur submitted its *Answer* on April 14, 2021,[22] alleging certain special and affirmative defenses, to wit: (1) that franchise tax is territorial and jurisdictional in nature and, thus, it is the rightful taxing authority entitled thereto; (2) that for a LGU to impose a franchise tax, the gross receipt realized must likewise be within its territorial jurisdiction; (3) that since petitioner Province of Camarines Sur is the LGU rightfully entitled to franchise tax, there is no unjust enrichment in the instant case; and (4) that petitioner Province of Camarines Sur has legitimately exercised its power to tax and is, thus, not liable to reimburse respondent CASURECO II of its paid franchise tax.

On March 15, 2021, the *Pre-Trial Brief for Defendant Local Government Unit of Naga City* was filed.[23] Respondent

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[19] Exhibit "J", RTC Docket (Special Civil Case No. 2020-0105), pp. 48 to 49.
[20] RTC Docket (Special Civil Case No. 2020-0105), pp. 1 to 14.
[21] RTC Docket (Special Civil Case No. 2020-0105), pp. 66 to 74.
[22] RTC Docket (Special Civil Case No. 2020-0105), pp. 132 to 142.
[23] RTC Docket (Special Civil Case No. 2020-0105), pp. 78 to 81. *om*

CASURECO II's *Pre-Trial Brief* was submitted on March 16, 2021.[24] The *Pre-Trial Brief (Provincial Government of Camarines Sur)* was forwarded on March 25, 2021.[25]

Thereafter, the Pre-Trial Order was issued on March 19, 2021.[26] However, respondent CASURECO II filed a *Motion to Correct Pre-Trial Order* on April 6, 2021,[27] which was granted by the court *a quo* in its Order dated April 18, 2021.[28] As such, an Amended Pre-Trial Order was issued on April 19, 2021.[29]

There being no factual matters to be determined, respondent Naga City and respondent CASURECO II filed their respective *Memoranda* on April 19, 2021[30] and May 5, 2021,[31] while the *Memorandum (For Defendant Province of Camarines Sur)* was submitted on April 20, 2021.[32]

Subsequently, RTC - Branch 21 promulgated the assailed Decision on September 17, 2021.[33]

On October 22, 2021, petitioner Province of Camarines Sur filed a *Partial Motion for Reconsideration*,[34] to which respondent Naga City filed its *Comment and Opposition (to Defendant LGU Camarines Sur's Partial Motion for Reconsideration)* on November 2, 2021.[35]

However, RTC - Branch 21 issued the assailed Order, denying petitioner Province of Camarines Sur's *Partial Motion for Reconsideration* on November 2, 2021.[36]

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[24] RTC Docket (Special Civil Case No. 2020-0105), pp. 82 to 93.
[25] RTC Docket (Special Civil Case No. 2020-0105), pp. 95 to 98.
[26] RTC Docket (Special Civil Case No. 2020-0105), pp. 102 to 106.
[27] RTC Docket (Special Civil Case No. 2020-0105), pp. 107 to 110.
[28] RTC Docket (Special Civil Case No. 2020-0105), pp. 111 to 112.
[29] RTC Docket (Special Civil Case No. 2020-0105), pp. 113 to 117.
[30] RTC Docket (Special Civil Case No. 2020-0105), pp. 118 to 131.
[31] RTC Docket (Special Civil Case No. 2020-0105), pp. 164 to 180.
[32] RTC Docket (Special Civil Case No. 2020-0105), pp. 151 to 163.
[33] RTC Docket (Special Civil Case No. 2020-0105), pp. 259 to 271.
[34] RTC Docket (Special Civil Case No. 2020-0105), pp. 272 to 278.
[35] RTC Docket (Special Civil Case No. 2020-0105), pp. 279 to 282.
[36] Order dated November 2, 2021, RTC Docket (Special Civil Case No. 2020-0105), pp. 283 to 284.

PROCEEDINGS BEFORE THIS COURT

Petitioner Province of Camarines Sur posted the present *Petition for Review* on December 9, 2021, which was received by the Court on April 22, 2022.[37]

In the Resolution dated June 6, 2022,[38] the Court noted that the subject *Petition for Review* failed to attach the proof of receipt of the assailed Order dated November 2, 2021 which was rendered by RTC – Branch 21; and authority of the affiant to sign the *Verification and Certification of Non-Forum Shopping.* Thus, it directed petitioner Province of Camarines Sur to submit the said lacking documents within ten (10) days from notice. However, no submission was made by petitioner Province of Camarines Sur.[39] Such being the case, the Court dismissed the *Petition for Review* on August 10, 2022 due to the failure of petitioner Province of Camarines Sur to comply with the rules and order of the Court.[40]

Meanwhile, petitioner Province of Camarines Sur posted its *Compliance* on June 27, 2022, and the same was received by the Court only on August 18, 2022.[41]

Petitioner Province of Camarines Sur then filed a *Motion for Reconsideration* through private courier on August 24, 2022, praying for the setting aside of the August 10, 2022 Resolution, and for the issuance of a new Resolution giving due course to the instant *Petition for Review.*[42]

In the Resolution dated September 30, 2022,[43] the Court: (1) granted the said *Motion for Reconsideration*; (2) set aside the Resolution dated August 10, 2022; (3) reinstated the *Petition for Review*; and (4) directed respondents Naga City and CASURECO II to file their respective comments within ten (10) days from notice.

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[37] Docket, pp. 5 to 17.
[38] Docket, pp. 173 to 174.
[39] Refer to the Records Verification Report dated June 30, 2022 issued by the Judicial Records Division of this Court, Docket, p. 175.
[40] Refer to the Resolution dated August 10, 2022, Docket, pp. 177 to 178.
[41] Docket, pp. 180 to 182.
[42] Docket, pp. 188 to 190.
[43] Docket, pp. 200 to 201.

In compliance, respondent CASURECO II filed its *Comment* via electronic mail on October 28, 2022,[44] while respondent Naga City posted its *Comment (to the Petitioner's Petition for Review)* on November 2, 2022.[45]

Thus, the present *Petition for Review* was submitted for decision on December 13, 2022.[46]

THE ISSUES

In the present *Petition for Review,* the following issues are raised for this Court's resolution, to wit:

> "I.
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> Whether or not [respondent Naga City] is the rightful LGU entitled to the franchise tax due from respondent CASURECO II based on gross receipts derived from the subject nine (9) municipalities, which are within the territorial jurisdiction of petitioner Province of Camarines Sur.
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> II
>
> Whether or not the City of Iriga case should be applied to the instant case."[47]

Petitioner Province of Camarines Sur's arguments:

Petitioner Province of Camarines Sur argues that it is the rightful LGU entitled to the franchise tax due from respondent CASURECO II over the subject nine (9) municipalities, which are within the jurisdiction of the province; that the territorial and jurisdictional nature of local franchise tax is evident not only in its nature but also in its unique provision; and that the *City of Iriga* case was pronounced primarily on the consideration that CASURECO III is liable for franchise tax, not exempt therefrom, and therefore, the same should not be applied to the instant case.

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[44] Docket, pp. 203 to 214.
[45] Docket, pp. 216 to 231.
[46] Resolution dated December 13, 2022, Docket, pp. 253 to 254.
[47] Statement of the Issue/s, Docket, p. 9.

Respondent CASURECO II's counter-arguments:

On the other hand, respondent CASURECO II claims that it is respondent Naga City that has the sole authority to assess and collect local franchise tax on gross receipts earned within the entire coverage area of respondent CASURECO II, including the nine (9) municipalities of Camarines Sur.

Respondent Naga City's counter-arguments:

Respondent Naga City, citing the *City of Iriga* case, argues that it is entitled to the payment of franchise tax, as respondent CASURECO II's principal office is located in CASURECO II Compound, Barangay Del Rosario, Naga City, following the ruling in the *City of Iriga* case.

THE COURT'S RULING

The present *Petition for Review* lacks merit.

Section 5, Article X of the Constitution empowers LGU to create their own sources of revenues and to levy taxes, fees and charges subject to such guidelines and limitations as the Congress may provide.[48]

Under Section 137 of the Local Government Code of 1991 (LGC), a province is authorized to impose a franchise tax, as follows:

> SECTION 137. *Franchise Tax.* – Notwithstanding any exemption granted by any law or other special laws, **the province may impose a tax on businesses enjoying a franchise**, at a rate not exceeding fifty percent (50%) of one percent (1%) of the gross annual receipts for the preceding calendar year **based on the incoming receipt, or realized, within its territorial jurisdiction**.
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> x x x (*emphasis supplied*)

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[48] *Smart Communications, Inc. vs. City of Davao, et al.*, G.R. No. 155491, July 21, 2009.

Article 226(a) and (b) of the LGC Implementing Rules and Regulations (IRR) further clarifies:

> ARTICLE 226. *Franchise Tax.* – (a) Notwithstanding any exemption granted by any law or other special law, **the province may impose a tax on businesses enjoying a franchise**, at a rate not exceeding fifty percent (50%) of one percent (1%) of the gross annual receipts, which shall include both cash sales and sales on account realized during the preceding calendar year **within its territorial jurisdiction, excluding the territorial limits of any city located in the province.**
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> **(b) The province shall not impose the tax on business enjoying franchise operating within the territorial jurisdiction of any city located within the province**. (*emphasis supplied*)

Based on the foregoing provisions, a province is authorized to impose a tax on "businesses enjoying a franchise" based on the incoming receipt, or realized, within its territorial jurisdiction. However, <u>by way of a limitation, it cannot impose a tax on business enjoying a franchise operating within the territorial jurisdiction of any city located within the province</u>.[49]

In the *City of Iriga* case, the Supreme Court held as follows:

> "The Court reiterates that a franchise tax is a tax levied on the exercise by an entity of the rights or privileges granted to it by the government. In the absence of a clear and subsisting legal provision granting it tax exemption, a franchise holder, though non-profit in nature, may validly be assessed franchise tax by a local government unit.
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> xxx xxx xxx
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> CASURECO III is an electric cooperative duly organized and existing by virtue of Presidential Decree (PD) 269, as amended, and registered with the National Electrification Administration (NEA). It is engaged in the business of electric power distribution to various end-users and consumers within the City of Iriga and the municipalities of Nabua, Bato, Baao, Buhi, Bula and Balatan

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[49] *Province of Batangas v. National Transmission Commission*, CTA AC No. 145, March 27, 2017.

of the Province of Camarines Sur, otherwise known as the 'Rinconada area.'

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<u>The Court's Ruling</u>

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Indisputably, petitioner [City of Iriga] has the power to impose local taxes. The power of the local government units to impose and collect taxes is derived from the Constitution itself which grants them 'the power to create its own sources of revenues and to levy taxes, fees and charges subject to such guidelines and limitation as the Congress may provide.' This explicit constitutional grant of power to tax is consistent with the basic policy of local autonomy and decentralization of governance. With this power, local government units have the fiscal mechanisms to raise the funds needed to deliver basic services to their constituents and break the culture of dependence on the national government. **Thus, consistent with these objectives, the LGC was enacted granting the local government units, <u>like petitioner</u>** <u>[City of Iriga]</u>**<u>, the power to impose and collect franchise tax</u>**, to wit:

> SEC. 137. *Franchise Tax.* – Notwithstanding any exemption granted by any law or other special law, **the province** may impose a tax on businesses enjoying a franchise, at a rate not exceeding fifty percent (50%) of one percent (1%) of the gross annual receipts for the preceding calendar year based on the incoming receipt, or realized, within its territorial jurisdiction. xxx.
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> SEC. 151. *Scope of Taxing Power.* – Except as otherwise provided in this Code, **the city**, may levy the taxes, fees, and charges which the province or municipality may impose: Provided, however, That the taxes, fees and charges levied and collected by highly urbanized and independent component cities shall accrue to them and distributed in accordance with the provisions of this Code. The rates of taxes that the city may levy may exceed the maximum rates allowed for the province or municipality by not more than fifty percent (50%) except the rates of professional and amusement taxes.

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> ***CASURECO III is liable for franchise tax on gross receipts within Iriga City and Rinconada area***
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> CASURECO III further argued that its liability to pay franchise tax, if any, should be limited to gross receipts received from the supply of the electricity within the City of Iriga and not those from the Rinconada area.
>
> **Again, the Court is not convinced.**
>
> **It should be stressed that what the petitioner seeks to collect from CASURECO III is a franchise tax, which as defined, is a tax on the exercise of a *privilege*. As Section 137 of LGC provides, franchise tax shall be based on gross receipts precisely because it is a tax on *business*, rather than on persons or property. Since it partakes of the nature of an excise tax, the *situs* of taxation is the place where the privilege is exercised, in this case in the City of Iriga, where CASURECO III has its principal office and from where it operates, regardless of the place where its services or products are delivered. Hence, franchise tax covers all gross receipts from Iriga City and the Rinconada area.**" *(Emphases and underscoring added)*

From the foregoing, it is clear that the Supreme Court has interpreted and applied Section 137, which grants a ***province*** the power to tax franchises, and Section 151, which also authorizes, in effect, a ***city*** to impose franchise tax, both of the LGC, vis-à-vis ***situs*** of taxation, in that such power of a city to levy franchise tax covers all gross receipts not only from within the territorial limits of that city where the franchise holder exercises the privilege, but also from other areas where the services or products are delivered.

In other words, pursuant to said Section 137 (applicable to *provinces*) and Section 151 (pertaining to *cities*), both of the LGC, and since the *situs* of taxation is the place where the privilege is exercised, the city in which the franchise holder has its principal office and exercises the said privilege has the power to impose franchise tax on the latter's gross receipts, even when the source thereof is beyond the territorial limits of the said city. In this connection, it must be pointed out that petitioner Province of Camarines Sur is in error when it argued that *"the right of the taxing authority to exact the tax is thus limited only to its territorial jurisdiction, that is, those realized only within the taxing authority's territorial jurisdiction."*[50]

Correspondingly, the said interpretation on, and application of, Sections 137 and 151 of the LGC, as enunciated in the *City of Iriga* case, formed a part of the legal system of the Philippines, pursuant to Article 8 of the Civil Code of the Philippines, to wit:

> "Article 8. Judicial decisions applying or interpreting the laws or the Constitution shall form a part of the legal system of the Philippines."

In *Columbia Pictures, Inc. vs. Court of Appeals, et al.*,[51] the Supreme Court has already held as follows:

> "Article 4 of the Civil Code provides that '(l)aws shall have no retroactive effect, unless the contrary is provided. Correlatively, Article 8 of the same Code declares that '(j)udicial decisions applying the laws or the Constitution shall form part of the legal system of the Philippines.'
>
> Jurisprudence, in our system of government, cannot be considered as an independent source of law; it cannot create law. While it is true that judicial decisions which apply or interpret the Constitution or the laws are part of the legal system of the Philippines, still they are not laws. **Judicial decisions, though not laws, are nonetheless evidence of what the laws mean, and it is for this reason that they are part of the legal system of the Philippines. Judicial decisions of the Supreme Court assume the same authority as the statute itself.**
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> xxx xxx xxx
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> **It is consequently clear that a judicial interpretation becomes a part of the law as of the date that law was originally passed**, subject only to the qualification that when a doctrine of this Court is overruled and a different view is adopted, and more so when there is a reversal thereof, the new doctrine should be applied

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[50] Refer to par. 20, *Petition for Review*, Docket, p. 10.
[51] 329 Phil. 875 (1996); G.R. No. 110318, August 28, 1996.

prospectively and should not apply to parties who relied on the old doctrine and acted in good faith. xxx." *(Emphases added)*

The judicial interpretation then in the *City of Iriga* case on Sections 137 and 151 of the LGC of 1991 becomes part thereof as of the date that law was originally passed. Considering that the said judicial interpretation has never been overruled or reversed by the High Court, the said case stands, and must be applied to the present case, since it has similar factual milieux.

Moreover, it must be pointed out that in our judicial hierarchy, only the pronouncements of the Supreme Court are doctrinal and binding on all other courts. There is only one Supreme Court from whose decisions all other courts should take their bearings.[52] Thus, whenever applicable, such as in the present case, this Court is bound to apply, and adhere to, the doctrinal pronouncements in the *City of Iriga* case.

Thus, applying *mutatis mutandi* the doctrinal and binding pronouncements in the *City of Iriga* case *vis-à-vis* the provisions of Sections 137 and 151 of the LGC of 1991, and considering that the subject privilege is exercised by respondent CASURECO II in Naga City, wherein it has its principal office, the franchise tax due from said respondent covers the gross receipts not only from the said City, but also from the nine (9) municipalities in Camarines Sur, namely, Pili, Milaor, Minalabac, Canaman, Magarao, Bombon, Calabanga, Tinambac, and Siruma. In other words, the rightful LGU entitled to the franchise tax due from respondent CASURECO II based on its gross receipts, including those derived from the said nine (9) municipalities, albeit such municipalities are within the territorial jurisdiction of petitioner Province of Camarines Sur, is the LGU of Naga City.

WHEREFORE, in light of the foregoing considerations, the present *Petition for Review* is **DENIED** for lack of merit.

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[52] *Luspo vs. People of the Philippines, et seq.*, G.R. Nos. 188487, 188451, and 188556, October 22, 2014.

Accordingly, the assailed Decision dated September 17, 2021 and Order dated November 2, 2021, both rendered by RTC – Branch 21, in Special Civil Case No. RTC-2020-0105, are **AFFIRMED**.

SO ORDERED.

CATHERINE T. MANAHAN
Associate Justice

WE CONCUR:

(on leave)
ROMAN G. DEL ROSARIO
Presiding Justice

MARIAN IVY F. REYES-FAJARDO
Associate Justice

ATTESTATION

I attest that the conclusion in the above Decision was reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

CATHERINE T. MANAHAN
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

MA. BELEN M. RINGPIS-LIBAN
Acting Presiding Justice